

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input checked="" type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Montcalm County	County Montcalm
Fiscal Year End 9/30/06	Opinion Date 6/4/07	Date Audit Report Submitted to State 7/26/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

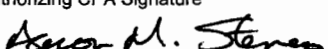
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☒ ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	Single Audit	
Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.		Telephone Number (517) 351-6836	
Street Address 3511 Coolidge Road, Suite 100		City East Lansing	State MI
City East Lansing		State MI	Zip 48823
Authorizing CPA Signature 	Printed Name Aaron M. Stevens, CPA		License Number 1101024055

Montcalm County, Michigan

FINANCIAL STATEMENTS

September 30, 2006

Montcalm County, Michigan

September 30, 2006

BOARD OF COMMISSIONERS

Patrick Q. Carr	Chairperson
Ronald Retzloff	Vice Chairperson
Marcia Walker	Commissioner
Dan Petersen	Commissioner
John Johansen	Commissioner
Carl Paepke	Commissioner
Roger Caris	Commissioner
John McCrackin	Commissioner
Ronald Baker	Commissioner

ADMINISTRATION AND OTHER ELECTED OFFICIALS

John Berchtold	Controller/ Administrator
Chris Hyzer	Finance Officer
Marcia Sawdy	Treasurer
Kristen Millard	Clerk
Lori Wilson	Register of Deeds
Donald Cooper	Drain Commissioner
Andrea Krause	Prosecuting Attorney
William Barnwell	Sheriff

Montcalm County, Michigan

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Principals

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
of Montcalm County
Stanton, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Montcalm County, Michigan as of and for the year ended September 30, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Road Commission for Montcalm County, which represents 76% of the assets and 56% of the revenues of the component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us. Our opinion expressed herein, insofar as it relates to the amounts included for the Road Commission, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the audit of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Montcalm County, Michigan as of September 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2007, on our consideration of Montcalm County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Montcalm County's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 4, 2007

MONTCALM COUNTY

OFFICE OF THE COUNTY CONTROLLER

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Management's Discussion and Analysis

This section of Montcalm County's annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year that ended on September 30, 2006. Please read it in conjunction with the County's financial statements, which follow this section. For discussion and analysis of the financial statements of the Road Commission for Montcalm County and the Mid-Michigan District Health Department, please see their separately issued financial statements.

Financial Highlights

This is the fourth year of implementation of Governmental Accounting Standards Board (GASB) Statement number 34. The reporting becomes similar to that of a private sector entity. All of the governmental activities and all of the business type activities are separately combined to report a government wide financial statement for each of the separate activity types. Some of the results for this fiscal year can be reviewed and highlighted.

- Governmental Activities Net Assets increased significantly during the 2006 fiscal year. Net Assets increased \$229,091 (after a restatement) to \$7,199,925, a 3.3% increase. Unrestricted net assets increased from \$4,975,900 to \$5,558,064, an 11.7% increase.
- Business-Type Activities Net Assets decreased \$187,938 to \$9,842,926, a 1.9% decrease. Unrestricted Net Assets increased from \$8,994,773 to \$8,983,783.
- Governmental Activities expenses totaled \$18,933,083. \$8,479,506 of those expenses was financed by service charges, contributions, or grants. Tax revenue, revenue sharing, transfers from Business-Type Activities, and other general revenues financed expenses of \$10,682,668.
- The Ambulance Fund expenses totaled \$2,563,796. Service charges and grants financed \$1,460,141 of that amount. The remaining amount was financed by tax revenue, revenue sharing and other general revenue.
- The Delinquent Tax Funds generated service charge revenue of \$777,483. The revenue exceeded expenses by \$635,941, before considering interest earnings generated by the funds.
- The depreciated cost of the governmental capital assets at September 30, 2006 was \$14,099,050.
- The Ambulance Fund generated a negative cash flow of \$47,496 during 2006. Capital purchases and increased operating costs were the primary reasons.
- The Delinquent Tax Funds generated a positive cash flow of \$111,747 during 2006. This was primarily due to transfers to the General Fund for debt service due to the bond refunding.

- Pension Trust Fund net assets increased \$1,369,100 to \$16,181,645. This was primarily due to increase in the interest rate on investments.

Overview of the Financial Statements

This annual report consists of four parts - *management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, and an optional section that presents *combining statements* for nonmajor governmental funds and internal service funds. The basic financial statements include two kinds of statements that present different views of the County:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the County's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the County government, reporting the County's operations in *more detail* than the government-wide statements.
- The *governmental funds* statements tell how *general government* services like public safety were financed in the *short term* as well as what remains for future spending.
- Proprietary *fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*, such as the ambulance service.
- Fiduciary *fund* statements provide information about the financial relationships - like the retirement plan for the County's employees - in which the County acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The notes to the financial statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. In addition to these required elements, we have included a section with combining statements that provide details about our nonmajor governmental funds and internal service funds, each of which are added together and presented in single columns in the basic financial statements.

Figure A-1 summarizes the major features of the County's financial statements, including the portion of the County government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1. Major Features of Montcalm County's Government-Wide and Fund Financial Statements

<i>Type of Statements</i>	Fund Statements			
	Government-wide	Government Funds	Proprietary Fund	Fiduciary Funds
<i>Scope</i>	Entire County government (except fiduciary funds)	Activities of the County that are not proprietary or fiduciary, such as police, fire, and parks	Activities the County operates similar to private businesses; the ambulance service, and building official	Instances in which the County is the trustee or agent for someone else's resources, such as the retirement plan for County employees
<i>Required financial statements</i>	• Statement of net assets	• Balance sheet	• Statement of net assets	• Statement of fiduciary net assets
	• Statement of activities	• Statement of revenues, expenditures & changes in fund balances	• Statement of revenues, expenses and changes in fund net assets • Statement of cash flows	• Statement of changes in fiduciary net assets
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term, the County's funds do not currently contain capital assets, although they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the County's *net assets* and how they have changed. Net assets - the difference between the County's assets and liabilities - are one way to measure the County's financial health or *position*.

- Over time, increases or decreases in the County's net assets are an indicator of whether or not its financial health is improving or deteriorating, respectively.
- To assess the overall health of the County you need to consider the additional nonfinancial factors such as changes in the County's property tax base and the condition of the County's infrastructure.

The government-wide financial statements of the County are divided into three categories:

- *Governmental activities* - Most of the County's basic services are included here, such as the Sheriff, courts, public works, and parks department, and general administration. Property taxes, service charges, state and federal grants finance most of these activities.
- *Business-type activities* - The County charges fees to customers to help it cover the costs of certain services it provides. The County's ambulance service is included here.
- *Component units* - The County includes other entities in its reports. Although legally separate, these "component units" are important because the County is financially accountable for them. Examples are the Road Commission, Central Dispatch Authority, Drainage Districts, and the District Health Department.

Fund Financial Statements

The fund financial statements provide more detailed information about the County's most *significant funds* - not the County as a whole. Funds are accounting devices that the County uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The County Board of Commissioners establishes other funds to control and manage money for particular purposes (like Solid Waste) or to show that it is properly using certain taxes and grants (like aid from the Michigan State Housing Development Authority).

The County has three kinds of funds:

- *Governmental funds* - Most of the County's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the relationship (or differences) between them.
- *Proprietary funds* - Services for which the County charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.
 - In fact, the County's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
 - We use *internal services* (the other kind of proprietary fund) to report activities that provide supplies and services for the County's other programs and activities - such as the County's Office Equipment Pool Fund.

- *Fiduciary funds* - The County is the trustee, or *fiduciary*, for its employees' pension plans. It is also responsible for other assets that - because of a trust arrangement - can be used only for the trust beneficiaries. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations.

Financial Analysis of the County as a Whole

Net assets. The County's combined net assets decreased 2.78% to \$17,042,851 at September 30, 2006. (See Table A-1)

Table A-1							
Montcalm County Net Assets							
	Governmental		Business-type		Total		Total
	Activities		Activities		Total		Percentage
	2006	2005	2006	2005	2006	2005	Change
	2006	2005	2006	2005	2006	2005	2005-2006
Current and Other Assets	\$ 7,924,911	\$ 7,481,513	\$ 9,309,223	\$ 9,308,429	\$ 17,234,134	\$ 16,789,942	2.65%
Capital Assets	14,099,050	14,927,379	889,353	995,696	14,988,403	15,923,075	-5.87%
Total Assets	22,023,961	22,408,892	10,198,576	10,304,125	32,222,537	32,713,017	-1.50%
Long-term debt outstanding	12,809,043	12,902,575	6,087	1,802	12,815,130	12,904,377	4.36%
Other Liabilities	2,014,993	2,006,531	349,563	271,459	2,364,556	2,277,990	-24.8%
Total Liabilities	14,824,036	14,909,106	355,650	273,261	15,179,686	15,182,367	-.02%
Net Assets							
Invested in capital assets,							
net of related debt	775,521	1,582,253	859,143	989,569	1,634,664	2,571,822	-36.44%
Restricted	866,340	941,633	-	46,522	866,340	988,155	-12.33%
Unrestricted	5,558,064	4,975,900	8,983,783	8,994,773	14,541,847	13,970,673	4.09%
Total Net Assets	\$ 7,199,925	\$ 7,499,786	\$ 9,842,926	\$ 10,030,864	\$ 17,042,851	\$ 17,530,650	-2.78%

Total Net Assets decreased 2.78%. This was primarily due to the restatement of the Central Dispatch Authority net assets.

Of the total Current and Other Assets figure of \$17,234,134, \$11,265,532 is Cash or Investments. That represents 65% of the total current assets, down from 66% from the previous year. Of the total cash and investments amount, \$5,852,594 was in the Delinquent Tax Revolving Fund. This figure is up \$338,809 from the previous year. The fund's primary purpose is to administer collection and distribution of delinquent real property taxes. Any surplus in the fund is currently pledged to the payment of debt service on new construction indebtedness that began in 2000 and to increased operating costs of a county jail that was expanded and began full operation in 2002. Receivables of \$4,579,787 represent another 27% of the current assets. \$2,499,853, or 55%, of that amount were Delinquent Tax Receivables.

The total depreciated cost of capital assets reported in the governmental activities statement of net assets is \$14,099,050, compared to \$14,927,379 in the previous year. The gross cost of those assets is \$25,301,178, compared to \$25,641,934 at the end of the previous year. The accumulated depreciation on those assets is \$11,202,128, compared to \$10,714,555 at the end of the previous year.

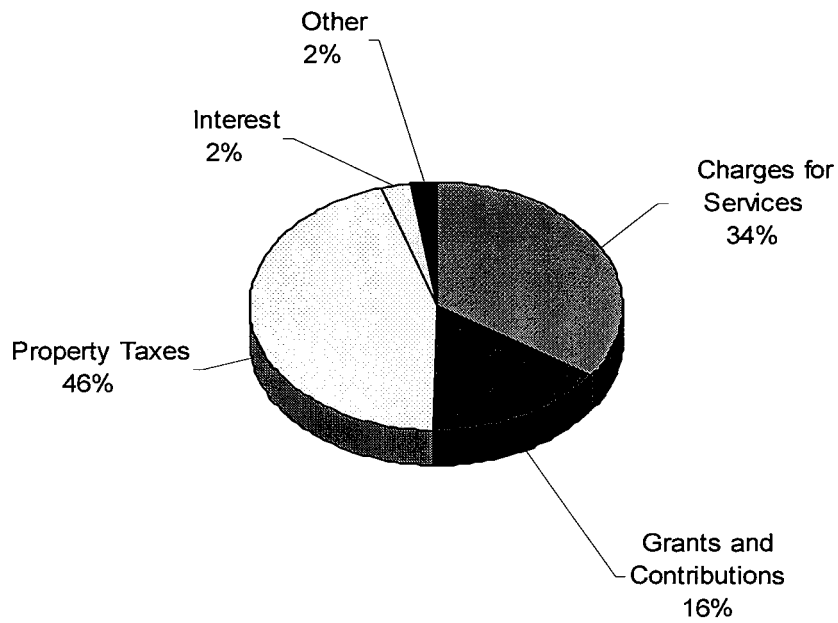
Changes in net assets. The County's net assets increased by \$41,153 (See Table A-2). Governmental activities net assets increased \$229,091. Business-Type activities net assets decreased by \$187,938.

Table A-2
Changes in Montcalm County's Net Assets

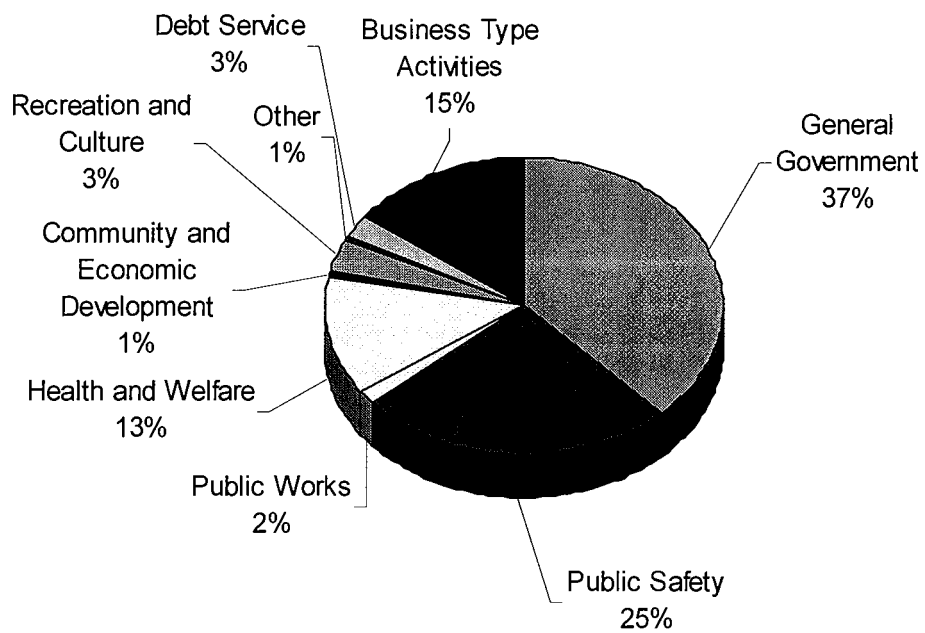
	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2005-2006
	2006	2005	2006	2005	2006	2005	
Revenues							
Program Revenues							
Charges for Services	\$ 4,967,979	\$ 6,063,259	\$ 2,683,743	\$ 3,250,451	\$ 7,651,722	\$ 9,313,710	-17.84%
Grants and Contributions	3,511,527	3,718,434	32,441	29,459	3,543,968	3,747,893	-5.44%
General Revenues							
Property Taxes	9,307,075	8,825,582	691,360	639,632	9,998,435	9,465,214	5.63%
Interest	303,537	169,959	220,458	139,894	523,995	309,853	69.11%
Other	457,618	622,905	50,614	13,966	508,232	636,871	-20.20%
Total Revenues	18,547,736	19,400,139	3,678,616	4,073,402	22,226,352	23,473,541	-5.31%
Expenses							
General Government	8,377,371	7,831,173			8,377,371	7,831,173	6.97%
Public Safety	5,743,943	6,975,069			5,743,943	6,975,069	-17.65%
Public Works	369,825	615,003			369,825	615,003	-39.87%
Health and Welfare	2,800,887	2,466,143			2,800,887	2,466,143	13.57%
Community and Economic Development	193,996	275,626			193,996	275,626	-29.62%
Recreation and Cultural	728,910	677,608			728,910	677,608	7.57%
Other	139,449	133,145			139,449	133,145	4.73%
Debt Service	578,702	698,198			578,702	698,198	-17.11%
Delinquent Tax			141,542	99,773	141,542	99,773	41.86%
Jail Commissary			95,669	93,629	95,669	93,629	2.18%
Building Official			451,109	450,198	451,109	450,198	0.20%
Ambulance			2,563,796	2,570,523	2,563,796	2,570,523	-0.26%
Total Expenses	18,933,083	19,671,965	3,252,116	3,214,123	22,185,199	22,886,088	-3.06%
Excess (deficiency) before transfers	(385,347)	(271,826)	426,500	859,279	41,153	587,453	
Transfers	614,438	620,984	(614,438)	(620,984)	-0-	-0-	
Increase (decrease) in net assets	\$ 229,091	\$ 349,158	\$ (187,938)	\$ 238,295	\$ 41,153	\$ 587,453	

In general, an increase in net assets means that current citizens and taxpayers are paying for services being provided today. A decrease in net assets means that current citizens and taxpayers aren't contributing enough to pay for the services they are currently receiving. The allocation of revenues and expenses to the categories displayed in the Statement of Changes in Net Assets can be displayed graphically, as follows:

Sources of Revenue for Fiscal Year 2006



Functional Expenses for Fiscal Year 2006



Financial Analysis of the County's Funds

Governmental Funds

Governmental Funds include the General Fund, Special Revenue Funds (Parks, Commission on Aging, Child Care Fund, etc.), Debt Service Funds, and Capital Project Funds. For the fiscal year ended September 30, 2006, the County's governmental funds reported a total Fund Balance of \$6,599,683. Of that amount, \$5,243,377 was unreserved and undesignated. The unreserved/undesignated Fund Balance increased \$718,500 from its September 30, 2005 level. This change will be examined more closely on an individual fund basis.

General Fund. The total General Fund Fund Balance increased by \$14,539 to \$2,505,422 at September 30, 2006. The increase is allocated to the following categories of Fund Balance:

Reserved for Prepayments	\$ (54,014)
Unreserved-Undesignated Fund Balance	<u>68,553</u>
Total Increase	\$ 14,539

The reserve for prepayments decreased as the result of payments for workers compensation insurance being paid for before the end of the fiscal year. Expenditures for these items that were paid during the 2006 fiscal year, but benefit periods after the end of the fiscal year, are recorded as prepaid expenditures.

General Fund Activities include the Economic Development Reserve, Michigan Justice Training Program, and the Survey and Remonumentation Program. Grant funds and contributions for these programs that are not used are reserved and dedicated to the future activities of those programs. The Economic Development Reserve has been used to fund the activities of the Montcalm Alliance and the newly formed Planning Commission. The Reserve will fund a countywide master land use plan future fiscal years.

The unreserved-undesignated Fund Balance increased \$68,553 to \$1,838,057 at September 30, 2006. The year-end unreserved-undesignated Fund Balance figure represents 11.9% of 2006 General Fund expenditures. The decrease was due to the transfer to the Revenue Sharing Reserve Fund. The Board of Commissioners also adopted a budget that was conservative in nature so as to protect itself from final results not meeting expectations.

General Fund Revenue was less than the final amended budget by \$1,095,327. General Fund revenue for 2006 totaled \$15,488,457 vs. \$14,919,690 in 2005, a \$568,767 increase. The following items were the reason for the revenue increase:

- Property Taxes increased from \$7,878,645 in 2005 to \$8,312,406 in 2006. This was due to the increase in property value and new construction.

General Fund Expenditures was less than the final amended budget by \$1,198,973. General Fund expenditures totaled \$15,473,918 in 2006 vs. \$14,535,223 in 2005, a \$938,695 increase. Increases to the General Fund were due to increase healthcare costs, additions of new staff and high cost of court appointed fees.

Special Revenue Funds. The Special Revenue Funds in total ended the 2006 fiscal year with an unreserved-undesignated Fund Balance of \$2,225,261. All but one of these funds meets the criteria for nonmajor funds for financial reporting purposes. The Fund Balances for each of the individual funds at September 30, 2006 as compared to September 30, 2005 are as follows:

Fund	2006 Total Fund Balance	2005 Total Fund Balance	Change	2006 Unreserved Fund Balance	2005 Unreserved Fund Balance	Change
Parks and Recreation	\$ 19	\$ 4,053	\$ (4,034)	\$ 19	\$ 4,053	\$ (4,034)
Solid Waste Planning	303,862	377,897	(74,035)	303,862	377,897	(74,035)
Friend of the Court	114,558	131,556	(16,998)	21,475	38,473	(16,998)
Law Enforcement	1,125	1,419	(294)	705	999	(294)
County Libraries	4,870	1,659	3,211	4,870	1,659	3,211
Law Library	2,562	2,430	132	2,562	2,430	132
Commission on Aging	208,027	201,678	6,349	208,027	201,678	6,349
DHS Child Care	-	3,848	(3,848)	-	3,848	(3,848)
CDBG Housing	24,440	3,669	20,771	24,440	3,669	20,771
Juvenile Child Care	46,950	2,111	44,839	46,950	2,111	44,839
Drug Law Enforcement	6,973	6,758	215	6,973	6,758	215
CIS	19,195	23,765	(4,570)	19,195	23,765	(4,570)
Veterans Trust	2,052	1,241	811	2,052	1,241	811
Public Improvement	18,717	17,176	1,541	18,717	17,176	1,541
Soldiers and Sailors Relief	3,790	3,675	115	3,790	3,675	115
DHS	49,000	53,376	(4,376)	49,000	53,376	(4,376)
CMET	-	78,374	(78,374)	-	-	-
Register of Deeds Automation	115,541	87,307	28,234	115,541	87,307	28,234
Cemetery	11,868	13,087	(1,219)	-	-	-
Law Enforcement Trust	24,281	20,449	3,832	-	-	-
Victim Support Team	2,683	2,010	673	-	-	-
Local CO Training	27,018	19,174	7,844	27,018	19,174	7,844
Revenue Sharing Reserve	1,504,323	653,129	851,194	1,504,323	653,129	851,194
Total	<u>\$ 2,491,854</u>	<u>\$ 1,709,841</u>	<u>\$ (782,013)</u>	<u>\$ 2,359,519</u>	<u>\$ 1,502,418</u>	<u>\$ 857,101</u>

Some financial highlights for some of these individual funds are as follows:

- The Solid Waste Planning Fund decreased its fund balance to \$303,862, after grants to local units.
- The Register of Deeds Automation Fund increased its fund balance to \$115,541 at the end of the 2006 fiscal year from \$87,307 at the end of the 2005 fiscal year.

Proprietary Funds

Proprietary Funds include Enterprise Funds (Ambulance Fund, Delinquent Tax Funds, Inmate Commissary Fund, Building Official Fund) and Internal Service Funds (Office Equipment Fund, Retiree Health Benefits Fund). The Enterprise Funds had total net assets at September 30, 2006 of \$9,842,926. Of that amount, \$859,143 was invested in capital assets, net of related debt. Internal Service Funds had net assets of \$153,756 at September 30, 2006 with \$7,750 of that amount invested in capital assets, net of related debt.

Enterprise Funds. The Ambulance Fund had net assets of \$908,697 at September 30, 2006. Of that amount, \$837,687 was invested in capital assets, net of related debt. The net assets decreased by \$372,323 during the 2006 fiscal year. The Ambulance Fund financial results compared to the prior fiscal year are as follows:

	Sept. 30, <u>2006</u>	Sept. 30, <u>2005</u>
Operating Revenues	\$ 1,523,874	\$ 1,945,634
Operating Expenses	2,563,796	2,570,573
Operating Income (Loss)	(1,039,922)	(624,889)
Nonoperating Revenues	667,756	629,611
Income (Loss) Before Transfers	(372,166)	4,722
Transfers In (Out)	(157)	(2,901)
Change in Net Assets	<u>\$ (372,323)</u>	<u>\$ 1,821</u>

The Delinquent Tax Revolving Fund had net assets of \$8,919,240 at the end of the 2006 fiscal year. The net assets increased \$252,010 during the fiscal year. The fund generated a net income of \$866,291 during the fiscal year, but then transferred \$614,281 to the General Fund.

General Fund Budgetary Highlights

Over the course of the year, the Board of Commissioners approved revisions to the County budget several times. These budget amendments primarily fall into three categories:

1. Amendments approved shortly after the beginning of the fiscal year to reflect actual beginning fund balances and to transfer items from the prior year budget to the current year budget that were still in process.
2. Increases in appropriations to approve budget overruns.
3. Amendments after quarterly reviews to revise initial budget estimates.

A comparison of beginning revenue and expenditure budgets to the final budget follows:

<u>Revenue</u>	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Change</u>	<u>% Change</u>
Taxes	\$ 8,483,256	\$ 8,483,256	\$ -	0.00%
Licenses and Permits	136,500	142,500	6,000	4.40%
Intergovernmental	1,262,825	1,505,635	242,810	19.23%
Charges for Services	3,022,887	3,073,387	50,500	1.67%
Fines or Forfeits	145,250	145,250	-	0.00%
Interest and Rents	205,615	325,615	120,000	58.36%
Other	265,020	326,620	61,600	23.24%
Other Financing Sources	<u>2,581,521</u>	<u>2,581,521</u>	<u>-</u>	0.00%
Total Revenue and Other Financing Sources	<u>\$ 16,102,874</u>	<u>\$ 16,583,784</u>	<u>\$ 480,910</u>	2.99%
<u>Expenditures</u>				
General Government	\$ 6,524,577	\$ 6,844,452	\$ 319,875	4.90%
Public Safety	4,657,501	4,961,382	303,881	6.52%
Public Works	109,755	114,405	4,650	4.24%
Health and Welfare	849,745	880,195	30,450	3.58%
Community and Economic Dev.	5,000	5,000	-	0.00%
Other	312,000	179,862	(132,138)	-42.35%
Debt Service	33,200	26,200	(7,000)	-21.08%
Other Financing Uses	<u>3,733,269</u>	<u>3,661,395</u>	<u>(71,874)</u>	-1.93%
Total Expenditures and Other Financing Uses	<u>\$ 16,225,047</u>	<u>\$ 16,672,891</u>	<u>\$ 447,844</u>	2.76%

While the change in total revenue and total expenditures is not significant at 2.99% and 2.76% respectively, there are some individual categories that did change significantly.

The Interest and Rents revenue budget increased by 58.36%. The increase was due to an increase interest rates.

The Other expenditure budget includes contingency. The initial contingency budget was \$162,000. Contingency was reduced to transfer costs to other budgets. The remaining contingency amount related to items that will be incurred in future years or items that were budgeted as contingencies that were not needed.

Description of Significant Capital Asset and Long-Term Debt Activity

As of the of the 2006 fiscal year, the County had invested over \$27 million in a broad range of capital assets, including police equipment, buildings, park facilities, and computer equipment. (See Table A-4)

Table A-4		
Montcalm County's Capital Assets		
		Business
	Governmental	Type
<u>Category</u>	<u>Activities</u>	<u>Activities</u>
Land and Land Improvements	\$ 81,157	\$ 28,151
Buildings and Additions	22,579,223	432,070
Equipment and Furniture	1,913,139	695,755
Vehicles	727,659	1,186,079
Total at Historical Cost	\$ 25,301,178	\$ 2,342,055

The depreciated value of the assets in total as of September 30, 2006 for Governmental Activities and Business-Type Activities was \$14,099,050 and \$889,353, respectively. Capital Asset additions totaled \$314,402 for the Governmental Activities and \$203,466 for the Business-Type Activities.

As of September 30, 2006, the County, excluding its component units, had \$14,271,534 in long-term debt outstanding. The most significant single debt issue of the total is the Building Authority Bond issued in September 2000 for the construction of the court and public safety complex. Of the total of \$15.0 million in debt issued, \$3.84 million and the 2005 bond refunding of 9.12 million remains outstanding. Debt related to compensated absences (vacation and sick leave) totaled another \$283,329.

Economic Factors and Next Year's Budget and Rates

- The unemployment rate for the County as of December 2006 was 1.6%. The rate has increased from 11.2% as of January 2006. The State of Michigan's unemployment rate was 6.9% for December 2006.

The County considered these factors in preparing the budget for 2007. The following factors will also affect the County's financial position and operations into the future:

- The General Fund budget for 2007, as currently amended, has a structural deficit and the increase in fund balance experienced in 2006 will be used to balance the 2007 budget.
- The State of Michigan's budget problems continue to affect the County's finances. The creation of the revenue sharing reserve fund will provide the County with secure funding for the next five fiscal years. Cash flow problems associated with the revenue stream will need to be dealt with in future fiscal years. An increase in fund balance will be needed or short-term cash flow financing may be required.
- The Electrolux Corporation has ceased operating in Greenville in 2006. Electrolux is the County's largest employer with over 2,700 employees.

Contacting the County's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Office of the County Controller, 211 W. Main St., PO Box 368, Stanton, MI 48888.

BASIC FINANCIAL STATEMENTS

Montcalm County, Michigan
STATEMENT OF NET ASSETS

September 30, 2006

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 3,244,101	\$ 2,409,264	\$ 5,653,365	\$ 2,562,843
Investments	2,075,175	3,041,287	5,116,462	1,048,457
Receivables	1,803,958	275,976	2,079,934	3,457,016
Delinquent tax receivable	-	2,499,853	2,499,853	-
Interest receivable	-	13,838	13,838	-
Internal balances	(320,750)	320,750	-0-	-
Due from other governmental units	689,009	143,940	832,949	288,499
Inventories	-	-	-0-	533,250
Prepaid expenses	82,084	4,412	86,496	114,518
Total current assets	7,573,577	8,709,320	16,282,897	8,004,583
Noncurrent assets				
Cash - restricted	-	-	-0-	232,581
Investments - restricted	-	-	-0-	311,957
Noncurrent investments	-	495,705	495,705	-
Advance to other funds	164,318	-	164,318	-
Advance to other governmental units	187,016	104,198	291,214	-
Capital assets not being depreciated	81,157	10,660	91,817	4,799,713
Capital assets, net of accumulated depreciation	14,017,893	878,693	14,896,586	31,992,183
Total noncurrent assets	14,450,384	1,489,256	15,939,640	37,336,434
TOTAL ASSETS	22,023,961	10,198,576	32,222,537	45,341,017
LIABILITIES				
Current liabilities				
Accounts payable	526,551	73,404	599,955	528,557
Accrued liabilities	269,768	69,455	339,223	312,498
Due to other governmental units	61,000	13,983	74,983	6,736
Accrued interest payable	359,456	-	359,456	57,146
Deferred revenue	403	4,280	4,683	187,030
Current portion of compensated absences	170,505	-	170,505	77,130
Current portion of long-term debt	627,310	24,123	651,433	524,514
Total current liabilities	2,014,993	185,245	2,200,238	1,693,611
Noncurrent liabilities				
Advances from other funds	-	164,318	164,318	-
Advances from other governmental units				
State	-	-	-0-	174,835
Local	-	-	-0-	391,214
Noncurrent portion of compensated absences	112,824	-	112,824	1,725,214
Noncurrent portion of long-term debt	12,696,219	6,087	12,702,306	2,897,183
Total noncurrent liabilities	12,809,043	170,405	12,979,448	5,188,446
TOTAL LIABILITIES	14,824,036	355,650	15,179,686	6,882,057
NET ASSETS				
Invested in capital assets, net of related debt	775,521	859,143	1,634,664	32,030,634
Restricted for:				
Public safety	10,781	-	10,781	-
Solid waste planning	303,862	-	303,862	-
Debt service	-	-	-0-	225,020
Other purposes	551,697	-	551,697	1,980,433
Unrestricted	5,558,064	8,983,783	14,541,847	4,222,873
TOTAL NET ASSETS	\$ 7,199,925	\$ 9,842,926	\$ 17,042,851	\$ 38,458,960

See accompanying notes to financial statements.

Montcalm County, Michigan

STATEMENT OF ACTIVITIES

Year Ended September 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	Component Units
					Governmental Activities	Business-type Activities		
Primary government								
Governmental activities								
General government	\$ 8,377,371	\$ 3,717,281	\$ 1,182,892	\$ -	\$ (3,477,198)	\$ -	\$ (3,477,198)	\$ -
Public safety	5,743,943	936,993	1,259,759	-	(3,547,191)	-	(3,547,191)	-
Public works	369,825	177,036	-	-	(192,789)	-	(192,789)	-
Health and welfare	2,800,887	89,073	898,940	-	(1,812,874)	-	(1,812,874)	-
Community and economic development	193,996	34,576	169,936	-	10,516	-	10,516	-
Recreation and cultural	728,910	13,020	-	-	(715,890)	-	(715,890)	-
Other	139,449	-	-	-	(139,449)	-	(139,449)	-
Interest on long-term debt	578,702	-	-	-	(578,702)	-	(578,702)	-
Total governmental activities	18,933,083	4,967,979	3,511,527	-0-	(10,453,577)	-0-	(10,453,577)	-0-
Business-type activities								
Delinquent tax	141,542	777,483	-	-	-	635,941	635,941	-
Jail Commissary	95,669	102,252	-	-	-	6,583	6,583	-
Building Official	451,109	376,308	-	-	-	(74,801)	(74,801)	-
Ambulance	2,563,796	1,427,700	32,441	-	-	(1,103,655)	(1,103,655)	-
Total business-type activities	3,252,116	2,683,743	32,441	-0-	-0-	(535,932)	(535,932)	-0-
Total primary government	<u>\$ 22,185,199</u>	<u>\$ 7,651,722</u>	<u>\$ 3,543,968</u>	<u>\$ -0-</u>	<u>(10,453,577)</u>	<u>(535,932)</u>	<u>(10,989,509)</u>	<u>-0-</u>
Component units								
Drainage Districts	\$ 1,069,110	\$ 173,723	\$ -	\$ 678,470	-	-	-	(216,917)
Central Dispatch Authority	1,190,385	1,389,016	-	-	-	-	-	198,631
District Health Department	6,113,832	1,374,829	3,437,508	-	-	-	-	(1,301,495)
Road Commission	9,148,752	870,729	5,577,735	2,389,691	-	-	-	(310,597)
Total component units	<u>\$ 17,522,079</u>	<u>\$ 3,808,297</u>	<u>\$ 9,015,243</u>	<u>\$ 3,068,161</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(1,630,378)</u>
General revenues:								
Taxes					9,307,075	691,360	9,998,435	568
Interest					303,537	220,458	523,995	357,019
Appropriations from other counties					-	-	-0-	1,188,691
Cigarette tax					-	-	-0-	74,263
Gain on equipment disposal					-	-	-0-	10,327
Other					457,618	50,614	508,232	4,312
Transfers					614,438	(614,438)	-0-	-
Total general revenues and transfers					<u>10,682,668</u>	<u>347,994</u>	<u>11,030,662</u>	<u>1,635,180</u>
Change in net assets					229,091	(187,938)	41,153	4,802
Restated net assets, beginning of the year					<u>6,970,834</u>	<u>10,030,864</u>	<u>17,001,698</u>	<u>38,454,158</u>
Net assets, end of the year					<u>\$ 7,199,925</u>	<u>\$ 9,842,926</u>	<u>\$ 17,042,851</u>	<u>\$ 38,458,960</u>

See accompanying notes to financial statements.

Montcalm County, Michigan

GOVERNMENTAL FUNDS BALANCE SHEET

September 30, 2006

	General	Revenue Sharing Reserve
ASSETS		
Cash and cash equivalents	\$ 2,233,516	\$ 617,134
Investments	241,066	-
Accounts receivable	40,045	-
Taxes receivable	1,236,358	-
Due from other funds	3,948	887,189
Due from other governmental units		
Federal/State	155,200	-
Prepays	80,787	-
Land contracts receivable	160,750	-
Advances to other funds	-	-
Advances to other governmental units	187,016	-
TOTAL ASSETS	\$ 4,338,686	\$ 1,504,323
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$ 227,816	\$ -
Accrued wages	233,091	-
Accrued liabilities	-	-
Due to other funds	1,211,607	-
Due to other governmental units		
Federal/State	-	-
Deferred revenue	160,750	-
TOTAL LIABILITIES	1,833,264	-0-
FUND BALANCES		
Reserved for		
Prepays	80,787	-
Marriage counseling	-	-
Advances	187,016	-
General fund activities	399,562	-
Trust activities	-	-
K-9 program	-	-
Debt service	-	-
Unreserved		
Designated for capital expenditures	-	-
Undesignated, reported in:		
General fund	1,838,057	-
Special revenue funds	-	1,504,323
Capital projects funds	-	-
TOTAL FUND BALANCES	2,505,422	1,504,323
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,338,686	\$ 1,504,323

See accompanying notes to financial statements.

General Projects	Nonmajor Governmental Funds	Total Governmental Funds
\$ (281,388)	\$ 583,915	\$ 3,153,177
1,183,318	575,697	2,000,081
-	206,055	246,100
-	-	1,236,358
-	14,165	905,302
-	533,809	689,009
-	1,297	82,084
-	160,750	321,500
164,318	-	164,318
-	-	187,016
<u>\$ 1,066,248</u>	<u>\$ 2,075,688</u>	<u>\$ 8,984,945</u>
\$ -	\$ 278,723	\$ 506,539
-	30,527	263,618
-	6,150	6,150
-	14,445	1,226,052
-	61,000	61,000
-	161,153	321,903
-0-	551,998	2,385,262
-	1,297	82,084
-	91,786	91,786
164,318	-	351,334
-	-	399,562
-	137,864	137,864
-	420	420
-	158,998	158,998
-	134,258	134,258
-	-	1,838,057
-	720,938	2,225,261
901,930	278,129	1,180,059
<u>1,066,248</u>	<u>1,523,690</u>	<u>6,599,683</u>
<u>\$ 1,066,248</u>	<u>\$ 2,075,688</u>	<u>\$ 8,984,945</u>

Montcalm County, Michigan

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

September 30, 2006

Total fund balance - governmental funds **\$ 6,599,683**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 25,301,178	
Accumulated depreciation is	<u>(11,202,128)</u>	14,099,050

Internal Service Funds are used by management to charge the costs of certain activities, such as the and office equipment pool, to individual funds. The assets and liabilities of the Internal Service Funds are included in the governmental activities in the Government-wide Statement of Net Assets.

Office Equipment Pool	16,511	
Post-Retirement Health	<u>129,495</u>	146,006

Governmental funds report the difference between the carrying amount of the defeased debt and its reacquisition price when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Net Assets. These amounts consist of:

Unamortized defeased debt		634,466
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Long-term receivables are not available to pay for current period expenditures and are therefore deferred in the funds. These consist of:

Deferred revenue		321,500
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

Direct County obligations	(13,957,995)	
Accrued interest payable	(359,456)	
Compensated absences	<u>(283,329)</u>	<u>(14,600,780)</u>

Net assets of governmental activities **\$ 7,199,925**

See accompanying notes to financial statements.

Montcalm County, Michigan

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended September 30, 2006

	General	Revenue Sharing Reserve
REVENUES		
Taxes	\$ 8,348,545	\$ -
Licenses and permits	146,273	-
Intergovernmental	1,460,384	-
Charges for services	2,925,174	-
Fines and forfeits	123,014	-
Interest and rents	353,192	-
Other	277,801	-
TOTAL REVENUES	13,634,383	-0-
EXPENDITURES		
Current		
General government	6,641,910	-
Public safety	4,811,067	-
Public works	114,357	-
Health and welfare	877,667	-
Community and economic development	5,000	-
Recreation and cultural	-	-
Other	139,449	-
Debt service	25,371	-
Capital outlay	-	-
TOTAL EXPENDITURES	12,614,821	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,019,562	-0-
OTHER FINANCING SOURCES (USES)		
Bond premium	-	-
Bond and loan proceeds	-	-
Bond issuance costs	-	-
Underwriter discount	-	-
Transfer to escrow agent	-	-
Transfers in	1,854,074	1,977,950
Transfers out	(2,859,097)	(1,126,756)
TOTAL OTHER FINANCING SOURCES (USES)	(1,005,023)	851,194
NET CHANGE IN FUND BALANCES	14,539	851,194
Fund balances, beginning of year	2,490,883	653,129
Fund balances, end of year	\$ 2,505,422	\$ 1,504,323

See accompanying notes to financial statements.

General Projects	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 958,530	\$ 9,307,075
-	7,170	153,443
-	2,025,120	3,485,504
-	440,855	3,366,029
-	6,500	129,514
47,955	1,302,248	1,703,395
8,502	137,823	424,126
56,457	4,878,246	18,569,086
-	731,522	7,373,432
-	513,629	5,324,696
-	255,468	369,825
-	1,896,406	2,774,073
-	188,996	193,996
-	719,804	719,804
-	-	139,449
-	1,138,075	1,163,446
-	827,660	827,660
-0-	6,271,560	18,886,381
56,457	(1,393,314)	(317,295)
-	149,828	149,828
-	10,095,000	10,095,000
-	(82,036)	(82,036)
-	(83,880)	(83,880)
-	(9,303,912)	(9,303,912)
-	864,989	4,697,013
(113,037)	(23,685)	(4,122,575)
(113,037)	1,616,304	1,349,438
(56,580)	222,990	1,032,143
1,122,828	1,300,700	5,567,540
\$ 1,066,248	\$ 1,523,690	\$ 6,599,683

Montcalm County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended September 30, 2006

Net change in fund balances - total governmental funds **\$ 1,032,143**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 314,402	
Depreciation expense	<u>(882,207)</u>	
Excess of depreciation expense over capital outlay		(567,805)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net expenses from governmental activities accounted for in the Internal Service funds are:

Office Equipment Pool	(7,364)	
Post-Retirement Health	<u>6,649</u>	(715)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Change in deferred revenue	(21,350)
----------------------------	----------

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. Also, governmental funds report the effect of the difference between the carrying amount of defeased debt and it reacquisition price when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. In the current year, these amounts consist of:

Transfer to escrow agent	9,303,912	
Amortization of defeased debt	(34,446)	
Bond and loan proceeds	(10,095,000)	
Bond and loan principal and capital lease retirement	<u>712,763</u>	(112,771)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

(Increase) in accrued interest payable	(77,485)	
(Increase) in accrued compensated absences	<u>(22,926)</u>	(100,411)

Change in net assets of governmental activities **\$ 229,091**

See accompanying notes to financial statements.

Montcalm County, Michigan

Proprietary Funds

STATEMENT OF NET ASSETS

September 30, 2006

	Business-type	
	Delinquent Tax Revolving	Ambulance
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,378,869	\$ 21,797
Investments	2,978,020	59,671
Accounts receivable, net	-	275,976
Delinquent taxes receivable	2,499,853	-
Interest receivable	13,838	-
Due from other governmental units - local	143,940	-
Due from other funds	322,130	-
Prepays	-	812
Total current assets	8,336,650	358,256
Noncurrent assets		
Investments	495,705	-
Advances to other governmental units	104,198	-
Capital assets not being depreciated	-	10,660
Capital assets, net of accumulated depreciation	-	857,237
Total noncurrent assets	599,903	867,897
TOTAL ASSETS	8,936,553	1,226,153
LIABILITIES		
Current liabilities		
Accounts payable	1,950	61,206
Accrued wages	-	57,442
Due to other governmental units	13,983	-
Due to other funds	1,380	-
Deferred revenue	-	4,280
Current portion of lease payable	-	24,123
Total current liabilities	17,313	147,051
Noncurrent liabilities		
Advances from other funds	-	164,318
Lease payable	-	6,087
Total noncurrent liabilities	-0-	170,405
TOTAL LIABILITIES	17,313	317,456
NET ASSETS		
Invested in capital assets, net of related debt	-	837,687
Unrestricted	8,919,240	71,010
TOTAL NET ASSETS	\$ 8,919,240	\$ 908,697

See accompanying notes to financial statements.

Activities		Governmental
Nonmajor Enterprise Funds	Total	Internal Service Funds
\$ 8,598	\$ 2,409,264	\$ 90,924
3,596	3,041,287	75,094
-	275,976	-
-	2,499,853	-
-	13,838	-
-	143,940	-
-	322,130	-
3,600	4,412	-
15,794	8,710,700	166,018
-	495,705	-
-	104,198	-
-	10,660	-
21,456	878,693	7,750
21,456	1,489,256	7,750
37,250	10,199,956	173,768
10,248	73,404	20,012
12,013	69,455	-
-	13,983	-
-	1,380	-
-	4,280	-
-	24,123	-
22,261	186,625	20,012
-	164,318	-
-	6,087	-
-0-	170,405	-0-
22,261	357,030	20,012
21,456	859,143	7,750
(6,467)	8,983,783	146,006
\$ 14,989	\$ 9,842,926	\$ 153,756

Montcalm County, Michigan

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended September 30, 2006

	Business-type	
	Delinquent Tax Revolving	Ambulance
OPERATING REVENUES		
Charges for services	\$ 420,066	\$ 1,427,700
Sales	-	-
Intergovernmental		
Federal/State	-	32,441
Penalties and interest on delinquent taxes	357,417	-
Other revenue	13,121	63,733
TOTAL OPERATING REVENUES	790,604	1,523,874
OPERATING EXPENSES		
Personnel services	-	1,391,223
Fringe benefits	-	410,655
Operating supplies	10,125	206,377
Contractual services	100,627	52,077
Repairs and maintenance	-	98,645
Insurance	-	2,097
Rent expense	-	60,460
Vehicle expense	-	8,127
Depreciation	-	190,950
Communications	-	15,846
Utilities	-	10,832
Training	-	7,295
Indirect operating	-	81,428
Other	30,790	27,784
TOTAL OPERATING EXPENSES	141,542	2,563,796
OPERATING INCOME (LOSS)	649,062	(1,039,922)
NONOPERATING REVENUES (EXPENSES)		
Tax revenue	-	691,360
Interest revenue	217,229	2,636
Loss on sale of capital assets	-	(26,240)
TOTAL NONOPERATING REVENUES (EXPENSES)	217,229	667,756
INCOME (LOSS) BEFORE TRANSFERS	866,291	(372,166)
TRANSFERS IN (OUT)		
Transfers in	-	-
Transfers out	(614,281)	(157)
TOTAL TRANSFERS IN (OUT)	(614,281)	(157)
CHANGE IN NET ASSETS	252,010	(372,323)
Net assets, beginning of year	8,667,230	1,281,020
Net assets, end of year	\$ 8,919,240	\$ 908,697

See accompanying notes to financial statements.

Activities		Governmental
Nonmajor Enterprise Funds	Total	Activities Internal Service Funds
\$ 376,308	\$ 2,224,074	\$ -
102,252	102,252	-
-	32,441	-
-	357,417	-
-	76,854	28,519
478,560	2,793,038	28,519
297,324	1,688,547	-
91,894	502,549	-
92,675	309,177	2,825
29,827	182,531	4,997
645	99,290	-
3,608	5,705	-
-	60,460	-
2,649	10,776	-
9,746	200,696	4,000
5,688	21,534	-
-	10,832	-
-	7,295	-
-	81,428	-
12,722	71,296	64,698
546,778	3,252,116	76,520
(68,218)	(459,078)	(48,001)
-	691,360	-
593	220,458	3,286
-	(26,240)	-
593	885,578	3,286
(67,625)	426,500	(44,715)
-	-0-	40,000
-	(614,438)	-
-0-	(614,438)	40,000
(67,625)	(187,938)	(4,715)
82,614	10,030,864	158,471
\$ 14,989	\$ 9,842,926	\$ 153,756

Montcalm County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended September 30, 2006

	Business-type	
	Delinquent Tax Revolving	Ambulance
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 441,806	\$ 1,712,841
Cash receipts from federal operating grants	-	15,139
Cash receipts from state	-	17,302
Cash receipts from other governmental units	153,473	-
Cash receipts from other funds	280,221	-
Cash paid to suppliers	(139,639)	(529,467)
Cash paid for employee fringe benefits	-	(410,655)
Cash paid to employees	-	(1,391,223)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	735,861	(586,063)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	-	-
Transfers to other funds	(614,281)	(157)
Tax revenue	-	691,360
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(614,281)	691,203
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital acquisitions	-	(202,557)
Proceeds from sale of assets	-	82,873
Transfers from other funds	-	-
Lease proceeds	-	48,700
Payments on borrowings	-	(24,617)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	-0-	(95,601)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(474,190)	(59,671)
Maturity of investments	247,128	-
Interest revenue	217,229	2,636
NET CASH (USED) BY INVESTING ACTIVITIES	(9,833)	(57,035)

Activities		Governmental Activities
Nonmajor Enterprise Funds	Total	Internal Service Funds
\$ 478,560	\$ 2,633,207	\$ 28,519
-	15,139	-
-	17,302	-
-	153,473	-
-	280,221	-
(147,599)	(816,705)	(8,020)
(93,264)	(503,919)	(45,156)
(297,324)	(1,688,547)	-
(59,627)	90,171	(24,657)
-	-0-	20,000
-	(614,438)	-
-	691,360	-
-0-	76,922	20,000
(909)	(203,466)	-
-	82,873	-
-	-0-	20,000
-	48,700	-
-	(24,617)	-
(909)	(96,510)	20,000
(3,596)	(537,457)	(75,094)
-	247,128	-
593	220,458	3,286
(3,003)	(69,871)	(71,808)

Montcalm County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended September 30, 2006

	Business-type	
	Delinquent Tax Revolving	Ambulance Fund
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 111,747	\$ (47,496)
Cash and cash equivalents, beginning of year	2,267,122	69,293
Cash and cash equivalents, end of year	<u>\$ 2,378,869</u>	<u>\$ 21,797</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities		
Operating income (loss)	\$ 649,062	\$ (1,039,922)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	-	190,950
(Increase) decrease in receivables	(348,798)	221,989
(Increase) in prepaids	-	-
Decrease in due from other funds	280,332	-
Decrease in due from other government units	140,435	-
Increase in accounts payable	1,903	33,992
(Decrease) in due to other funds	(111)	-
Increase in due to other governmental units	13,038	-
Increase (decrease) in accrued liabilities	-	7,509
(Decrease) in deferred revenue	-	(581)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 735,861</u>	<u>\$ (586,063)</u>

See accompanying notes to financial statements.

Activities		Governmental Activities
Nonmajor Enterprise Funds	Total	Internal Service Funds
\$ (63,539)	\$ 712	\$ (56,465)
72,137	2,408,552	147,389
<u>\$ 8,598</u>	<u>\$ 2,409,264</u>	<u>\$ 90,924</u>
\$ (68,218)	\$ (459,078)	\$ (48,001)
9,746	200,696	4,000
-	(126,809)	-
(3,600)	(3,600)	-
-	280,332	-
-	140,435	-
3,815	39,710	19,344
-	(111)	-
-	13,038	-
(1,370)	6,139	-
-	(581)	-
<u>\$ (59,627)</u>	<u>\$ 90,171</u>	<u>\$ (24,657)</u>

Montcalm County, Michigan

Fiduciary Funds

STATEMENT OF NET ASSETS

September 30, 2006

	Agency Funds	Pension Fund
ASSETS		
Cash and cash equivalents	\$ 4,196,659	\$ 107,055
Investments		
U.S. Treasury Notes	-	3,261,622
U.S. Government obligations	-	3,971,071
Corporate bonds and notes	-	3,868,263
Common stocks	-	4,735,456
Foreign stocks	-	238,178
TOTAL ASSETS	<u><u>\$ 4,196,659</u></u>	<u>16,181,645</u>
LIABILITIES		
Due to other governmental units		
Federal/State	\$ 3,963,108	-
Local	113,248	-
Due to individuals and agencies	<u>120,303</u>	<u>-</u>
TOTAL LIABILITIES	<u><u>\$ 4,196,659</u></u>	<u>-0-</u>
NET ASSETS		
Held in trust for pension benefits		<u><u>\$ 16,181,645</u></u>

See accompanying notes to financial statements.

Montcalm County, Michigan

Pension Trust Fund

STATEMENT OF CHANGES IN PLAN NET ASSETS

Year Ended September 30, 2006

	Pension Fund
ADDITIONS	
Investment income	
Interest and dividends	\$ 467,145
Net increase in fair value of investments	983,057
Less investment expenses	<u>(65,328)</u>
Net investment income	1,384,874
Contributions	
Employer	446,710
Employee	<u>278,374</u>
Total additions	2,109,958
DEDUCTIONS	
Benefit payments	723,670
Administrative expenses	<u>17,188</u>
Total deductions	<u>740,858</u>
CHANGE IN NET ASSETS	1,369,100
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	
Beginning of year	<u>14,812,545</u>
End of year	<u><u>\$ 16,181,645</u></u>

See accompanying notes to financial statements.

Montcalm County, Michigan

Component Units

COMBINING STATEMENT OF NET ASSETS

September 30, 2006

	Drainage Districts	Central Disptach Authority	District Health
ASSETS			
Current assets			
Cash and cash equivalents	\$ 938,299	\$ 208,819	\$ 1,098,129
Investments	655,293	393,164	-
Accounts receivable	7,438	96,824	246,251
Special assessment receivable	1,516,466	-	-
Due from other governmental units	-	-	288,499
Inventories	-	-	88,957
Prepaid expenses	-	-	114,518
Total current assets	3,117,496	698,807	1,836,354
Noncurrent assets			
Cash - restricted	225,020	-	-
Investments - restricted	-	-	-
Capital assets not being depreciated	75,650	-	-
Capital assets, net of accumulated depreciation	5,193,944	182,381	218,194
Total noncurrent assets	5,494,614	182,381	218,194
TOTAL ASSETS	8,612,110	881,188	2,054,548
LIABILITIES			
Current liabilities			
Accounts payable	114,582	4,069	108,406
Accrued liabilities	1,408	25,454	254,826
Due to other governmental units	-	-	-
Accrued interest payable	56,095	1,051	-
Deferred revenue	-	-	187,030
Current portion of compensated absences	-	-	77,130
Current portion of long-term debt	268,829	33,068	-
Total current liabilities	440,914	63,642	627,392
Noncurrent liabilities			
Advances from other governmental units	291,214	-	-
Advance from State	-	-	-
Noncurrent portion of compensated absences	-	-	308,519
Noncurrent portion of long-term debt	2,753,083	69,220	-
Total noncurrent liabilities	3,044,297	69,220	308,519
TOTAL LIABILITIES	3,485,211	132,862	935,911
NET ASSETS			
Invested in capital assets, net of related debt	2,247,682	80,093	218,194
Restricted for debt service	225,020	-	-
Restricted for County Roads	-	-	-
Unrestricted	2,654,197	668,233	900,443
TOTAL NET ASSETS	\$ 5,126,899	\$ 748,326	\$ 1,118,637

See accompanying notes to financial statements.

<u>Road Commission</u>	<u>Total Component Units</u>
\$ 317,596	\$ 2,562,843
-	1,048,457
328	350,841
1,589,709	3,106,175
-	288,499
444,293	533,250
-	114,518
<u>2,351,926</u>	<u>8,004,583</u>
7,561	232,581
311,957	311,957
4,724,063	4,799,713
<u>26,397,664</u>	<u>31,992,183</u>
<u>31,441,245</u>	<u>37,336,434</u>
33,793,171	45,341,017
301,500	528,557
30,810	312,498
6,736	6,736
-	57,146
-	187,030
-	77,130
<u>222,617</u>	<u>524,514</u>
561,663	1,693,611
100,000	391,214
174,835	174,835
1,416,695	1,725,214
<u>74,880</u>	<u>2,897,183</u>
<u>1,766,410</u>	<u>5,188,446</u>
<u>2,328,073</u>	<u>6,882,057</u>
29,484,665	32,030,634
-	225,020
1,980,433	1,980,433
-	4,222,873
<u>\$ 31,465,098</u>	<u>\$ 38,458,960</u>

Montcalm County, Michigan

Component Units

STATEMENT OF ACTIVITIES

Year Ended September 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities							
Drainage Districts	\$ 833,741	\$ 60,395	\$ -	\$ 678,470	\$ (94,876)	\$ -	\$ (94,876)
Central Dispatch Authority	1,190,385	1,389,016	-	-	198,631	-	198,631
District Health	6,113,832	1,374,829	3,437,508	-	(1,301,495)	-	(1,301,495)
Road Commission	9,148,752	870,729	5,577,735	2,389,691	(310,597)	-	(310,597)
Total governmental activities	17,286,710	3,694,969	9,015,243	3,068,161	(1,508,337)	-0-	(1,508,337)
Business-type activities							
Drainage Districts	235,369	113,328	-	-	-	(122,041)	(122,041)
Total component units	<u>\$ 17,522,079</u>	<u>\$ 3,808,297</u>	<u>\$ 9,015,243</u>	<u>\$ 3,068,161</u>	(1,508,337)	(122,041)	(1,630,378)
General revenues							
Taxes					568	-	568
Investment earnings					288,139	68,880	357,019
County appropriations					1,188,691	-	1,188,691
Cigarette tax					74,263	-	74,263
Gain on equipment disposal					10,327	-	10,327
Other					4,312	-	4,312
Total general revenues					1,566,300	68,880	1,635,180
Change in net assets					57,963	(53,161)	4,802
Restated net assets, beginning of year					36,037,942	2,416,216	38,454,158
Net assets, end of year					<u>\$ 36,095,905</u>	<u>\$ 2,363,055</u>	<u>\$ 38,458,960</u>

See accompanying notes to financial statements.

Montcalm County, Michigan
NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Montcalm, Michigan, was incorporated in 1850, and covers an area of approximately 710 square miles with the County seat located in the City of Stanton. The County operates under an elected Board of Commissioners and provides services to its more than 61,000 residents in many areas including law enforcement, administration of justice, community enrichment and development, and human services.

The financial statements of the County have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to County governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of Montcalm County (primary government) and its component units. The component units described in Sections 2 and 3 below should be included in the County's reporting entity because of the significance of their operational or financial relationship with the County. Blended component units, although legally separate entities, are in substance, part of the County's operations, so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County.

2. Blended Component Units

In accordance with the above criteria, the activities of the following Boards, Commissions, and Authorities have been blended in with the County's primary government financial statements:

The Montcalm County Commission on Aging
The Montcalm County Department of Human Services
The Montcalm County Building Authority
The Montcalm County Library Board

Separate reports are not prepared for these Boards, Commissions, and Authorities.

3. Discretely Presented Component Units

These component units are reported in a separate column to emphasize that, while legally separate, Montcalm County remains financially accountable for these entities, or the nature and significance of the relationship between these entities and Montcalm County is such that exclusion of these entities would render the financial statements misleading or incomplete.

The Drainage Districts in the County come under the jurisdiction of the Montcalm County Drain Commissioner. This includes planning, developing, and maintaining surface water drainage systems. A complete file of finance, construction, and maintenance is maintained for each of the drains. The Drain Commissioner has authority to spend up to \$2,500 per mile on drain maintenance and may borrow up to \$300,000 from any source to provide for maintenance of a drain without Board of Commissioner approval and without going through the Local Audit and Finance Division, State of Michigan. The Drain Commissioner has authority to levy special assessments on properties benefiting from maintenance.

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Discretely Presented Component Units - continued

The County is a member of the Montcalm County Central Dispatch Authority. The Authority is governed by a nine (9) member board. The Authority Board consists of three (3) members appointed by the Montcalm County Board of Commissioners, one (1) member representing the Montcalm Township Association, and two (2) members from the City of Greenville. The three (3) statutory representatives are appointed by the Sheriff, the Fire Chief, and the Michigan State Police. The Authority has responsibility for preparing the annual budget (which is approved by the County) and to carry out all activities of the Authority.

The Authority's intent is to support and operate central dispatch services primarily with funds generated from operations (i.e., telephone surcharge fees). Any required local contributions would be calculated based on a pro rated scale, which takes into account the impact and use of the system for each participating unit.

The financial activities of the Montcalm County Central Dispatch Authority are reported in the County's audited financial statements as a discretely presented component unit due to the County being responsible for the receipt and disbursement of the Authority's funds.

The Road Commission for Montcalm County is responsible for the maintenance and construction of the County road system. The Road Commission operations are financed primarily from the State distribution of gas and weight taxes, Federal financial assistance, and contributions from other local government units within the County. The three (3) Board Members of the Road Commission are elected by the people of Montcalm County. This component unit is audited individually and complete financial statements may be obtained from the Road Commission's administrative office located at 619 West Main Street, Stanton, Michigan 48888.

4. Joint Venture

The County participates in the following activity which is considered to be a joint venture in relation to the County due to the formation of an organization by contractual agreement between two (2) or more participants that maintain joint control, financial interest, and financial responsibility.

Mid-Michigan District Health Department - The County is a member of the Mid-Michigan District Health Department, which is a joint venture between Montcalm, Clinton, and Gratiot counties. Each unit appoints two (2) of the six (6) members to the governing Board. The Department has responsibility for preparing the annual budget (which is approved by each County) and to carry out all activities of the Department.

Montcalm County is responsible to fund 39% of the required local contribution to cover operational costs. For the year ended September 30, 2006, the County contributed \$475,817 to cover its share of operational costs. In addition, the treasury function for the Mid-Michigan District Health Department rests with the Montcalm County Treasurer. For this reason the District Health Department is a discretely presented component unit in the Montcalm County Financial Statements as required by accounting principles generally accepted in the United States of America.

The financial activities of the Mid-Michigan District Health Department are accounted for and reported separately from the participating units. Separate audited financial statements for their year ended September 30, 2006, are available at the Department's administrative offices. As of September 30, 2006, the Department had net assets of \$1,118,637.

5. Related Organizations

The County participates in the following activity which is considered to be a related organization in relation to the County due to the County appointing all of the Board Members of the organization. There is no ongoing day-to-day financial interest or responsibility, but the County does sign the grant agreements and would be liable for questioned costs in excess of Commission resources.

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Related Organizations - continued

Montcalm Center for Behavioral Health - Mental Health Authority - The County appoints all of the twelve (12) Board members. The County does not have an ongoing day-to-day financial interest or responsibility for the Board.

Statement on Michigan Governmental Accounting and Auditing No. 5 allows, because the Authority is legally separate and fiscally independent, for the Authority's financial information to be presented within the County's notes to the financial statements only, instead of in the body of the financial statements. The following financial information was obtained from the most recent audited financial statements available of the Board for their year ended September 30, 2006. A copy of the financial statements is available at the Board's administrative offices. As of September 30, 2006, the Board had total assets of \$2,491,012; total liabilities of \$797,807; and total net assets of \$1,693,205. For year ended September 30, 2006, the Board had total revenues of \$7,178,141; total expenditures of \$7,090,106; and a net increase in net assets of \$88,035.

Montcalm County Housing Commission - The County appoints all of the five (5) Commission members. The County does not have an ongoing day-to-day financial interest or responsibility for the Commission and does not approve or sign the Commission's annual grant agreement with the U.S. Department of Housing and Urban Development (HUD). The Commission operates a low income housing project within the County which is subsidized by HUD in accordance with the U.S. Housing Act of 1937 and is regulated by the Department of HUD.

Statement on Michigan Governmental Accounting and Auditing No. 5 allows, because the Commission is legally separate and fiscally independent, for the Commission's financial information to be presented within the County's notes to the financial statements only, instead of in the body of the financial statements. The following financial information was obtained from the most recent audited financial statements available of the Commission for their year ended December 31, 2005. A copy of the financial statements is available at the Commission's administrative offices. As of December 31, 2005, the Commission had total assets of \$1,170,743; total liabilities of \$31,106, and total net assets of \$1,139,637. For the year ended December 31, 2005, the Commission had total revenues of \$1,271,572; total expenses of \$1,307,127; and a net decrease in net assets of \$35,555.

6. Jointly Governed Organizations

The County participates in the following activities which are considered to be jointly governed organizations in relation to the County due to there being no ongoing financial interest or responsibility.

West Michigan Regional Planning Commission - Montcalm County, in conjunction with 10 other Counties, has entered into an agreement which created the West Michigan Regional Planning Commission. This organization's Board is composed of 20 members, of which two (2) are appointed by Montcalm County. The County's financial responsibility is to contribute a pro rata share of "local match" funds based on the proportion of State equalized valuation. For the year ended September 30, 2006 the County's contribution to the Commission was \$47,005.

Central Area Michigan Works Consortium - Montcalm County, in conjunction with three (3) other Counties, has entered into an agreement which created the Central Area Michigan Works Consortium. This organization's Board is composed of eight (8) members, of which two (2) are appointed by Montcalm County. The organization receives all of its funding from State and Federal grants and, as a result, the County has no financial responsibility other than potential liability related to appropriate use of the funds.

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government and its component units as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and its component units and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the County's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The major funds of the County are:

- a. The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Revenue Sharing Reserve Fund was established to account for the shift of State Revenue Sharing dollars from State to local funding.
- c. The General Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital projects (other than those financed by Proprietary Funds and Trust Funds).
- d. The Ambulance Fund is used to report ambulance services which are financed primarily by user charges or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control, or other purposes.
- e. The Delinquent Tax Revolving Fund accounts for money advanced by the County to other local taxing units and various county funds to pay for their delinquent taxes. Revenues are generated by the collection of the delinquent taxes, penalties, and interest.

8. Measurement Focus

The government-wide, proprietary, and pension trust fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

8. Measurement Focus - continued

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for fiduciary agency funds since assets equal liabilities.

9. Basis of Accounting

Basis of accounting refers to when revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

All governmental and agency funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are property taxes, special assessments, and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary and similar trust funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

10. Cash and Cash Equivalents

The County pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing securities and disclosed as part of the County's investments. Cash equivalents consist of temporary investments in certificates of deposit with an original maturity of 90 days or less, and mutual funds.

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

11. Restricted Cash

A portion of the cash of the Drainage Districts (Component Unit) is classified as restricted cash because their use is limited. The Drainage District's cash restriction is to provide for the payment of accrued debt service obligations as required by bond resolution for the Little Whitefish Lake Sewer Construction project.

12. Investments

Investments are reported at market value. Investments consist of Pension Fund securities and commercial paper with an original maturity of over 90 days.

13. Receivables

Receivables consist of amount due from governmental units for various financial assistance programs and accounts receivable related to charges for services.

14. Prepayments

Prepayments consist of certain insurance premiums and other expenditures representing costs applicable to future periods. These prepayments recorded in the governmental fund types do not reflect current expendable resources and, therefore, an equal portion of fund balance is reserved.

15. Inventories

Inventory of the Road Commission (component unit) consist of various operating parts, supplies, and road material, and the cost is recognized using the consumption method (inventories recorded as expenditures when they are used). Inventories are priced at cost as determined on the average cost valuation method.

Inventory of the District Health Department (component unit) consists of vaccines received from the State of Michigan. Inventories are stated at cost on a first in/first out basis.

16. Capital Assets

PRIMARY GOVERNMENT AND COMPONENT UNIT - DRAINAGE DISTRICTS

Capital assets include land, buildings, equipment, and vehicles and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and component unit columns. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	5 - 50 years
Equipment and furniture	4 - 20 years
Vehicles	4 - 10 years
Drain infrastructure	10 - 50 years

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

16. Capital Assets - continued

COMPONENT UNIT - DISTRICT HEALTH DEPARTMENT

Capital assets include equipment and land improvements and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements. Capital assets are those with an initial individual cost of \$1,000 or more, with estimated useful lives of more than one year. Capital assets are not recorded in the governmental fund. Instead, capital acquisitions are reflected as expenditures in the governmental fund, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Equipment	5 - 20 years
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The Department has no assets that would be classified as infrastructure assets.

COMPONENT UNIT - ROAD COMMISSION

Depreciation is computed on the sum-of-the-years'-digits method for road equipment and straight-line method for all other capital assets. The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Buildings	30 - 50 years
Road Equipment	5 - 8 years
Shop Equipment	10 years
Engineering Equipment	4 - 10 years
Office Equipment	4 - 10 years
Infrastructure - Roads	8 - 30 years
Infrastructure - Bridges	12 - 50 years

17. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

18. Treatment Rights

Little Whitefish Lake (Component Unit) Fund has contracted with Big Whitefish Lake (Component Unit) Fund for the right to distribute wastewater through the sewer system to the Big Whitefish Lake treatment plant and for the treatment of its wastewater.

These rights are being amortized over the period of the related contract.

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

19. Advances to Other Funds/Governmental Units

Long-term advances from some funds to other funds/component units are made to finance new activities during their initial operations, to finance the purchase of real property taxes receivable from the municipalities within the County, and to finance capital acquisitions. The applicable fund balance is reserved for such advances to reflect the amount of fund balance not currently available for expenditure within the governmental funds.

20. Accrued Compensated Absences

In accordance with the County personnel policies and/or contracts negotiated with the various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the respective personnel policies and/or contracts.

Vested vacation and sick leave earned as of September 30, 2006, including related payroll taxes, is recorded in the government-wide financial statements.

Vested vacation and sick leave earned as of September 30, 2006, for the District Health Department and Road Commission (component units) is recorded in the respective component unit's government-wide financial statements.

21. Interfund Transactions

During the course of normal operations, the County has numerous transactions between funds and component units, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Internal Service Funds are used to record charges for services to all County departments and funds as charges for services. All County funds record these payments to the Internal Service Funds as operating expenditures/expenses.

22. Budgets and Budgetary Accounting

Budgets are adopted for the General and Special Revenue Funds and are prepared on a basis consistent with the modified accrual basis used to reflect actual results. The County employs the following procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to July 1, the County departments, in conjunction with the Controller's office, prepare and submit their proposed operating budgets to the Finance Committee for the fiscal year commencing the following October 1. The operating budgets include proposed expenditures and resources to finance them.
- b. A Public Hearing is held to obtain taxpayers' comments.
- c. Prior to September 30, the budgets are legally enacted through passage of an annual budget resolution.
- d. The budgets are legally adopted at the activity level for the General Fund and the fund level for the Special Revenue fund. Budgetary transfers between funds and amendments to total fund budgets are not permitted without Board approval. For control purposes, all funds' budgets are maintained at the activity and account level. The Board must preapprove transfers of budget amounts between accounts.

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

22. Budgets and Budgetary Accounting - continued

- e. The County does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. All unexpended appropriations lapse at year-end.
- f. Budgeted amounts are reported as originally adopted or as amended by the Board of Commissioners during the year. Individual amendments were not material in relation to the original appropriations which were adopted.

23. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since the inclusion of comparative data would make the statements unduly complex and difficult to read.

24. Federal Programs

Federal Programs are accounted for in the funds to which the programs pertain. The County has not integrated its Single Audit Reports and financial data as part of the financial statements. The Single Audit reports and financial data will be issued under separate cover as supplementary information to the basic financial statements.

NOTE B: POOLING OF CASH AND INVESTMENTS AND CASH OVERDRAFT

The County utilizes pooled cash accounts for approximately fifty (50) funds. Cash overdrafts of individual funds as of September 30, 2006, are as follows:

<u>Fund</u>	<u>Pooled Cash Overdraft</u>	<u>Nonpooled Cash and Cash Equivalents</u>	<u>Financial Statements</u>
PRIMARY GOVERNMENT			
Governmental Funds			
General Fund	\$(874,124)	\$ 3,107,640	\$ 2,233,516
Special Revenue Funds			
Homeland Security Grant	(108,911)	-	(108,911)
Community Information Systems	(1,966)	-	(1,966)
Register of Deeds Automation	(38,036)	-	(38,036)
County Libraries	(124,465)	-	(124,465)
CDBG Housing Grant	(75,873)	85,336	9,463
Juvenile Child Care	(88,936)	-	(88,936)
Capital Projects Funds			
General Projects	(281,388)	-	(281,388)
Jail Improvement	(204,927)	276,693	71,766
Proprietary Funds			
Building Official	(12,964)	-	(12,964)
TOTAL PRIMARY GOVERNMENT	<u>\$(1,811,590)</u>	<u>\$ 3,469,669</u>	<u>\$ 1,658,079</u>

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS

The County utilizes various pooled cash accounts and investments for approximately 50 funds. The County's pooled cash and investments consist of a common checking account, savings, treasury notes, and mutual funds.

The County's pooled cash and investments are utilized by the General Fund, Special Revenue Funds, Capital Project Funds, Enterprise Funds, Internal Service Funds (except for the Delinquent Tax Revolving Funds), Trust and Agency Funds, and Component Unit Funds. Each fund's portion of these pooled accounts is included in the cash and cash equivalents caption on the financial statements.

The other funds of the County utilize separate savings and interest bearing checking accounts. In addition, certificates of deposit and mutual funds are separately held by several of the County's funds.

In accordance with Michigan Compiled Laws, the County is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers' acceptances of United States banks.
- f. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC), Federal Savings and Loan Insurance Corporation (FSLIC), and the National Credit Union Administration (NCUA) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits, and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

As of September 30, 2006, the carrying amounts and bank balance for each type of bank account are as follows:

<u>ACCOUNT TYPE</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Checking and savings	\$ 5,175,542	\$ 3,831,050

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Deposits - continued

<u>ACCOUNT TYPE</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
FIDUCIARY FUNDS		
Checking	\$ 4,208,493	\$ 4,208,493
COMPONENT UNITS		
Checking	<u>1,701,004</u>	<u>1,977,368</u>
TOTAL REPORTING ENTITY	<u>\$ 11,085,039</u>	<u>\$ 10,016,911</u>

Deposits of the County are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the County. As of September 30, 2006, the primary government and component unit accounts were insured by the FDIC for \$423,179 and the amount of \$9,593,732 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the current period, the amount the County held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at September 30, 2006.

As of September 30, 2006, the market values, which are the carrying values for each investment, are as follows:

Investments

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Moody's Rating</u>	<u>Weighted Average Maturity</u>
PRIMARY GOVERNMENT				
Federal Home Loan Bank	\$ 1,487,526	\$ 1,487,526	Aaa	6 months
Federal National Mortgage Association	896,895	896,895	Aaa	5.3 years
Fannie Mae	101,264	101,264	Aaa	1.5 years
Uncategorized pooled investment funds	<u>3,106,520</u>	<u>3,106,520</u>	N/A	44 days
Total primary government	5,592,205	5,592,205		
FIDUCIARY FUNDS				
U.S. Government Securities	3,261,622	3,261,622	Aa2	4.1 years
Corporate Bonds and Notes	3,868,263	3,868,263	Aa2	4.1 years
Common Stock	4,735,456	4,735,456	Aa2	4.1 years
Foreign Stock	238,178	238,178	Aa2	4.1 years
Uncategorized pooled investment funds	418,092	418,092	Aa2	4.1 years
Uncategorized pooled investment funds	<u>3,648,200</u>	<u>3,648,200</u>	N/A	N/A
Total fiduciary funds	16,169,811	16,169,811		
COMPONENT UNITS				
Uncategorized pooled investment funds	<u>2,454,084</u>	<u>2,454,084</u>	N/A	44 days
TOTAL REPORTING ENTITY	<u>\$24,216,100</u>	<u>\$24,216,100</u>		

The pension investments in U.S. Treasury Notes and other Governmental Securities, corporate bonds and notes, common stock, and guaranteed annuity contracts are insured or registered for which the applicable securities are held by the Macatawa Bank, and Raymond James Financial Services, Inc.

Montcalm County, Michigan
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Investments - continued

The County has investments purchased for the County employee's Pension Trust Fund through three (3) banks. Michigan Compiled Law, Section 38.1121, authorizes the County to invest pension assets in a wide variety of investments including: stocks, bonds, certificates of deposit, real estate, annuity contracts, obligations of a specified nature, and real or personal property. Specific limitations apply to the various investment types. As of September 30, 2006, the market value, which is the carrying amount of the pension trust plan assets were \$16,181,645.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of September 30, 2006, rating information on the County's investments is presented above.

Interest rate risk

The County will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operating funds primarily in shorter-term securities, liquid asset funds, money market, mutual funds, or similar investment pools and limiting the average maturity in accordance with the County's cash requirements.

Concentration of credit risk

The County will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the County's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk

The County will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer by:

- Limiting investments to the types of securities listed in this investment policy
- Pre-qualifying the financial institutions, brokers/dealers, intermediaries and advisors with which the County will do business in accordance with this investment policy.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of September 30, 2006:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 5,653,365	\$ 2,562,843	\$ 4,303,714	\$12,519,922
Cash - restricted	-	232,581	-	232,581
Investments	5,116,462	1,048,457	16,074,590	22,239,509
Investments - restricted	-	311,957	-	311,957
	<u>\$10,769,827</u>	<u>\$ 4,155,838</u>	<u>\$20,378,304</u>	<u>\$35,303,969</u>

Montcalm County, Michigan
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

The primary government cash and cash equivalents captions on the financial statements include \$2,080 in imprest cash. The component unit cash and cash equivalents captions on the financial statements includes \$750 in imprest cash.

NOTE D: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds, business type funds, and component units have been eliminated.

Transfers to General Fund from:	
General Projects Fund	\$ 113,037
Delinquent Tax Revolving Fund	614,281
Revenue Sharing Reserve Fund	<u>1,126,756</u>
	<u>\$ 1,854,074</u>
Transfer to Revenue Sharing Reserve Fund from:	
General Fund	<u>\$ 1,977,950</u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 861,147
Ambulance Fund	157
Nonmajor governmental funds	<u>3,685</u>
	<u>\$ 864,989</u>
Transfer to Internal Service Funds from:	
General Fund	\$ 20,000
Nonmajor governmental funds	<u>20,000</u>
	<u>\$ 40,000</u>
Transfers to Component Unit Funds from:	
Component Unit Funds	<u>\$ 34,121</u>

NOTE E: INTERFUND RECEIVABLES AND PAYABLES

The following schedule details interfund receivables and payables related to the primary government at September 30, 2006:

Due to General Fund from:	
Nonmajor governmental funds	<u>\$ 3,948</u>
Due to Revenue Sharing Reserve from:	
General Fund	<u>\$ 887,189</u>
Due to Delinquent Tax Revolving Fund from:	
General Fund	<u>\$ 322,130</u>

Montcalm County, Michigan
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

NOTE E: INTERFUND RECEIVABLES AND PAYABLES - CONTINUED

Due to nonmajor governmental funds from:	
General Fund	\$ 2,288
Delinquent Tax Revolving Fund	1,380
Nonmajor governmental funds	<u>10,497</u>
	<u>\$ 14,165</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

The following schedule details interfund receivables and payables between the component units at September 30, 2006:

Due to Component Unit Funds from:	
Component Unit Funds	<u>\$ 1,518</u>

NOTE F: ADVANCES RECEIVABLE AND PAYABLE

The following schedule details advances receivable and payable between funds of the primary government at September 30, 2006:

Advance from General Projects Fund to:	
Ambulance Fund	<u>\$ 164,318</u>

The advances were made to finance capital acquisitions.

NOTE G: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2006 was as follows:

Primary Government

	Restated Balance <u>Oct. 1, 2005</u>	Additions/ Reclassifications	Deletions/ Reclassifications	Balance <u>Sept. 30, 2006</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 81,157	\$ -	\$ -	\$ 81,157
Construction in progress	<u>31,133</u>	<u>-</u>	<u>31,133</u>	<u>-0-</u>
Subtotal	112,290	-0-	31,133	81,157
Capital assets being depreciated				
Buildings and additions	22,548,090	31,133	-	22,579,223
Equipment and furniture	1,763,488	185,265	35,614	1,913,139
Vehicles	<u>659,852</u>	<u>129,137</u>	<u>61,330</u>	<u>727,659</u>
Subtotal	24,971,430	345,535	96,944	25,220,021

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE G: CAPITAL ASSETS - CONTINUED

Primary Government - continued

	Restated Balance Oct. 1, 2005	Additions/ Reclassifications	Deletions/ Reclassifications	Balance Sept. 30, 2006
Less accumulated depreciation for				
Buildings and additions	\$(8,642,613)	\$(617,917)	\$ -	\$(9,260,530)
Equipment and furniture	(1,322,636)	(172,778)	(35,606)	(1,459,808)
Vehicles	(451,616)	(88,504)	(58,330)	(481,790)
Subtotal	(10,416,865)	(879,199)	(93,936)	(11,202,128)
Net capital assets being depreciated	14,554,565	(533,664)	3,008	14,017,893
Total Net Capital Assets	\$ 14,666,855	\$(533,664)	\$ 34,141	\$ 14,099,050

The current year depreciation expense of \$959,254 has been adjusted by \$3,008 for the disposal of capital assets during the year, in accordance with GASB Statement No. 34 implementation guide which states that immaterial losses may be handled as an adjustment to the current year's depreciation expense.

Depreciation expense was charged to the following governmental activities:

Governmental activities:	
General government	\$ 427,040
Public safety	419,247
Health and welfare	26,814
Recreation and cultural	9,106
	<u>\$ 882,207</u>

	Balance Oct. 1, 2005	Additions	Deletions	Balance Sept. 30, 2006
Business-type activities				
Capital assets not being depreciated				
Land	\$ 33,160	\$ -	\$ 22,500	\$ 10,660
Capital assets being depreciated				
Land improvements	17,491	-	-	17,491
Buildings and improvements	537,344	-	105,274	432,070
Equipment and furniture	602,693	112,481	19,419	695,755
Vehicles	1,095,094	90,985	-	1,186,079
Subtotal	2,252,622	203,466	124,693	2,331,395
Less accumulated depreciation for				
Land improvements	(17,491)	-	-	(17,491)
Buildings and additions	(29,590)	(21,619)	(18,661)	(32,548)
Equipment and furniture	(472,728)	(61,899)	(19,419)	(515,208)
Vehicles	(770,277)	(117,178)	-	(887,455)
Subtotal	(1,290,086)	(200,696)	(38,080)	(1,452,702)
Net capital assets being depreciated	962,536	2,770	86,613	878,693
Total Net Capital Assets	\$ 995,696	\$ 2,770	\$ 109,113	\$ 889,353

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE G: CAPITAL ASSETS - CONTINUED

Component Units

	Balance Oct. 1, 2005	Additions	Deletions	Balance Sept. 30, 2006
Component Unit - Drainage Districts				
Capital assets not being depreciated				
Land	\$ 75,650	\$ -	\$ -	\$ 75,650
Capital assets being depreciated				
Drains	5,963,345	-	-	5,963,345
Less accumulated depreciation for				
Drains	(647,012)	(122,389)	-	(769,401)
Net capital assets being depreciated	5,316,333	(122,389)	-0-	5,193,944
Total Net Capital Assets	<u>\$ 5,391,983</u>	<u>\$(122,389)</u>	<u>\$ -0-</u>	<u>\$ 5,269,594</u>
Component Unit - Central Dispatch Authority				
Capital Assets being depreciated				
Equipment and furniture	\$ 558,214	\$ 1,912	\$ -	\$ 560,126
Accumulated depreciation				
Equipment and furniture	(297,690)	(80,055)	-	(377,745)
Total Net Capital Assets	<u>\$ 260,524</u>	<u>\$(78,143)</u>	<u>\$ -0-</u>	<u>\$ 182,381</u>
Component Unit - Road Commission				
Capital assets not being depreciated				
Land	\$ 33,708	\$ -	\$ -	\$ 33,708
Infrastructure - land improvements	4,690,355	-	-	4,690,355
Subtotal	4,724,063	-0-	-0-	4,724,063
Capital assets being depreciated				
Buildings	2,192,254	-	1	2,192,253
Road equipment	6,732,835	142,730	86,127	6,789,438
Shop equipment	112,644	-	-	112,644
Office equipment	158,663	-	-	158,663
Engineer's equipment	38,043	-	-	38,043
Yard and storage	359,683	12,532	-	372,215
Infrastructure - bridges	8,912,037	10,490	-	8,922,527
Infrastructure - roads	48,659,001	1,841,852	-	50,500,853
Depletable assets	6,750	-	-	6,750
Subtotal	67,171,910	2,007,604	86,128	69,093,386
Less accumulated depreciation for				
Building	(525,768)	(45,055)	-	(570,823)
Road equipment	(5,573,747)	(450,174)	(76,212)	(5,947,709)
Shop equipment	(72,011)	(2,471)	-	(74,482)
Office equipment	(110,495)	(16,787)	-	(127,282)
Engineer's equipment	(36,582)	(793)	-	(37,375)

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE G: CAPITAL ASSETS - CONTINUED

Component Units - continued

	Balance Oct. 1, 2005	Additions	Deletions	Balance Sept. 30, 2006
Component Unit - Road Commission - continued				
Less accumulated depreciation for				
Yard and storage	\$(359,683)	\$ -	\$ -	\$(359,683)
Infrastructure - bridges	(2,971,758)	(187,110)	-	(3,158,868)
Infrastructure - roads	(30,096,839)	(2,315,911)	-	(32,412,750)
Depletable assets	(6,750)	-	-	(6,750)
Subtotal	<u>(39,753,633)</u>	<u>(3,018,301)</u>	<u>(76,212)</u>	<u>(42,695,722)</u>
Net capital assets being depreciated	<u>27,418,277</u>	<u>(1,010,697)</u>	<u>9,916</u>	<u>26,397,664</u>
Total Net Capital Assets	<u>\$32,142,340</u>	<u>\$(1,010,697)</u>	<u>\$ 9,916</u>	<u>\$31,121,727</u>

Road equipment accumulated depreciation deductions of \$76,212 include a \$62,528 adjustment to correct prior years' depreciation.

Depreciation expense was charged to the following activities:

Net Equipment Expense	
Direct equipment	\$ 450,174
Indirect equipment	
Buildings	36,044
Shop equipment	2,471
Net Administrative Expense	
Buildings	9,011
Office equipment and furniture	16,787
Distributive Expense	
Engineer's equipment	793
Infrastructure	<u>2,503,021</u>
Total depreciation expense	<u>\$ 3,018,301</u>

	Balance Oct. 1, 2005	Additions	Deletions	Balance Sept. 30, 2006
Component Unit - District Health Department				
Equipment	\$ 545,719	\$ 59,358	\$(19,740)	\$ 585,337
Less accumulated depreciation for:				
Equipment	<u>(333,416)</u>	<u>(53,467)</u>	<u>19,740</u>	<u>(367,143)</u>
Total Net Capital Assets	<u>\$ 212,303</u>	<u>\$ 5,891</u>	<u>\$(-0-)</u>	<u>\$ 218,194</u>

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE H: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the County for the year ended September 30, 2006:

	Restated Balance Oct. 1, 2005	Additions	Deletions	Balance Sept. 30, 2006	Amounts Due Within One Year
PRIMARY GOVERNMENT					
Governmental Activities					
Direct County Obligations	\$13,210,758	\$10,095,000	\$ 9,347,763	\$13,957,995	\$ 661,756
Compensated absences	260,403	22,926	-	283,329	170,505
Business-type Activities					
Capital leases	6,127	48,700	24,617	30,210	24,123
TOTAL PRIMARY GOVERNMENT	13,477,288	10,166,626	9,372,380	14,271,534	856,384
COMPONENT UNIT FUNDS					
Drainage Districts					
Governmental Activities					
Drain bonds and notes	1,794,528	228,500	288,616	1,734,412	236,829
Business-type Activities					
Big Whitefish Lake					
Drain bonds and notes	28,000	-	14,000	14,000	14,000
Little Whitefish Lake					
Drain bonds	1,290,500	-	17,000	1,273,500	18,000
Central Dispatch Authority					
Installment purchase agreement	134,368	-	32,080	102,288	33,068
District Health Department					
Compensated absences	353,724	655,080	623,155	385,649	77,130
Road Commission					
Michigan transportation revenue note	1,600,000	-	200,000	1,400,000	200,000
Installment purchase agreements	256,633	-	19,571	237,062	20,367
Compensated absences	71,070	4,625	815	74,880	-
TOTAL COMPONENT UNITS	5,528,823	888,205	1,195,237	5,221,791	599,394
	19,006,111	11,054,831	10,567,617	19,493,325	1,455,778
Less: deferred amounts on refunding	-	668,912	34,446	634,466	34,446
TOTAL REPORTING ENTITY	\$19,006,111	\$10,385,919	\$10,533,171	\$18,858,859	\$ 1,421,332

PRIMARY GOVERNMENT

Direct County Obligations

The Montcalm County Board of Commissioners is party to a long-term lease agreement for rental of the Montcalm Center for Behavioral Health facility from the Montcalm County Building Authority. The lease agreements stipulate that the annual rentals be paid by the County to the Building Authority in amounts sufficient to meet the annual principal and interest on bonds, which shall be pledged exclusively for that purpose. When all debt has been retired for the buildings, the rentals will cease, title to the buildings will be transferred to the County, and any cash balances remaining with the Building Authority will be returned to the County.

The Montcalm County Board of Commissioners is also party to seven (7) long-term loan agreements. The proceeds of these loans were used to defray the cost of capital acquisition and construction.

Montcalm County, Michigan
NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE H: LONG-TERM DEBT - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

Direct County Obligations - continued

Bonds and loans payable at September 30, 2006 are as follows:

\$15,000,000 Montcalm County Building Authority - Jail Expansion Bonds Series 2000, dated September 1, 2000, due in annual installments ranging from \$490,000 to \$560,000 through May 1, 2014, with interest ranging from 5 to 5.125 percent, payable semi-annually.	\$ 3,840,000
\$82,699 Montcalm County installment loan payable, dated December 18, 2003, due in annual installments of \$16,540 through December 18, 2008 with interest of 2.9 percent, payable annually.	47,805
\$227,000 Montcalm County installment loan payable, dated June 9, 2004, due in annual installments of \$32,430 through June 1, 2012 with interest of 3.04 percent, payable annually.	175,190
\$500,000 Capital Improvement Bonds, dated December 15, 2005, due in annual installments ranging from \$95,000 to \$105,000 through November 1, 2010 with interest ranging from 3.50 percent to 3.90 percent, payable semi-annually.	500,000
\$9,320,000 Building Authority Refunding Bonds, dated October 4, 2005, due in annual installments ranging from \$35,000 to \$945,000 through May 1 2025 with interest ranging from 3.50 percent to 5.00 percent, payable semi-annually.	9,120,000
\$275,000 Capital Improvement Bonds, dated July 28, 2006, due in annual installments of \$55,000 through November 1, 2011 with interest ranging from 3.95 percent to 4.15 percent, payable semi-annually.	<u>275,000</u>
	<u>\$13,957,995</u>

Capital Leases

The County has entered into a lease purchase agreement which qualifies as a capital lease for accounting purposes (title transfers to County) and therefore has been recorded at the present value of future minimum lease payments as of the date of inception. The following are additional details regarding the lease.

Business-type activities

\$12,975 Montcalm County capital lease payable dated December 30, 2003, due in monthly installments of \$360 through February 28, 2007 with no interest.	\$ 1,802
\$48,700 Montcalm County Capital lease payable dated December 1, 2005, due in monthly installments of approximately \$2,029 through December 1, 2007.	<u>28,408</u>
	<u>\$ 30,210</u>

Compensated Absences

In accordance with County personnel policies and/or contracts negotiated with various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes, amounted to \$213,343 and \$69,986 for vacation and sick, respectively, at September 30, 2006. Of the total liability of \$283,329, \$170,505 has been reported as a current liability and \$112,824 has been reported as a noncurrent liability.

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE H: LONG-TERM DEBT - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

Advance Refunding - Current

On October 4, 2005 the county defeased a portion of the 2000 Montcalm County Building Authority - Jail Expansion Bonds which are due and payable May 1, 2025. This was accomplished by creating an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest payments. The County issued Building Authority 2005 Refunding Bonds in the amount of \$9,320,000 to fund escrow amounts, and pay the cost of issuance of refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bond are not included in the County's financial statements. At September 30, 2006, bonds due and payable May 1, 2014 through May 1, 2025 for the 2000 Montcalm County Building Authority - Jail Expansion Bonds in the amount of \$8,635,000 are considered defeased.

As a result of the advance refunding, the County decreased its total debt service requirements by \$873,651, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$606,707.

COMPONENT UNIT - DRAINAGE DISTRICTS

The County has irrevocably pledged its full faith and credit as collateral for the following drain bonds and notes. These projects are administered by the Montcalm County Drain Commission for various local drainage districts. The drain bonds and notes were issued to finance the various Construction Funds for the purpose of paying costs in connection with various drainage district projects and are payable out of assessments to be made against the benefited properties.

Drain Bonds and Notes

Bonds and notes payable at September 30, 2006, per respective Drain projects serviced from the Component Unit Debt Service Funds are as follows:

\$100,000 Village of Pierson Sanitary Drain District Bonds, Series A, dated November 1, 1985 due in annual installments ranging from \$2,000 to \$6,000 through November 1, 2014 with interest of 5.0 percent payable semi-annually.	\$ 44,000
\$133,000 Whetstone Drain District Note dated April 24, 2002, due in annual installments of \$26,600 through June 1, 2007 with interest of 3.78 percent, payable annually.	26,600
\$405,000 Weatherby Drain District Bonds, Series 2002, dated August 1, 2002, due in annual installments of \$60,000 through June 1, 2009 with interest ranging from 3.25 to 3.70 percent, payable semi-annually.	180,000
\$180,500 Stillwater Drain District Note dated May 20, 2003, due in annual installments of \$25,786 through June 1, 2010 with interest of 3.50 percent, payable annually.	103,142
\$140,000 Crystal Sewer Drain District Note dated December 1, 2004, due in annual installments of \$35,000 through June 1, 2008 with interest of 3.46 percent, payable annually.	70,000
\$1,151,000 Duck Lake Drain District Bonds, Series A and B, dated March 17, 2004, due in annual installments ranging from \$21,000 to \$59,000 through March 1, 2034 with interest of 4.50 percent, payable semi-annually.	1,041,570
Various drain notes due in various annual installments and interest rates through 2013.	<u>269,100</u>
	<u>\$ 1,734,412</u>

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE H: LONG-TERM DEBT - CONTINUED

COMPONENT UNIT - DRAINAGE DISTRICTS - CONTINUED

Drain Bonds and Notes - continued

Bonds and notes payable at September 30, 2006 per respective Drain projects serviced from the Component Unit proprietary funds are as follows:

\$90,000 Big Whitefish Lake Sanitary Drain Extension Drainage District Note dated March 12, 1999 due in annual installments of \$14,000 through September 1, 2007 with interest of 5.45 percent, payable semi-annually.	\$ 14,000
\$1,262,000 Little Whitefish Lake Sanitary Sewer System G.O. Bonds dated March 18, 1997 due in annual installments ranging from \$17,000 to \$55,000 through November 1, 2036, with interest of 5.0 percent, payable semi-annually.	1,155,000
\$121,500 Little Whitefish Lake Sanitary Sewer System G.O. Bonds dated January 24, 2003 due in annual installments ranging from \$1,000 to \$8,000 through May 1, 2043, with interest of 4.625 percent payable semi-annually.	<u>118,500</u>
	<u>\$ 1,287,500</u>

COMPONENT UNIT - CENTRAL DISPATCH AUTHORITY

\$165,978 Montcalm County installment loan payable, dated July 7, 2004, due in annual installments of \$36,221 through June 1, 2009 with interest of 3.04 percent, payable annually.	<u>\$ 102,288</u>
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COMPONENT UNIT - DISTRICT HEALTH DEPARTMENT

Compensated Absences

In accordance with the District Health Department personnel policies and/or contracts negotiated with various employee groups, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. The dollar amounts of these vested rights including the related payroll taxes reported by the District Health Department at September 30, 2006, amounts to \$385,649. Of the total liability, \$77,130 has been reported as a current liability and \$308,519 has been reported as a noncurrent liability.

COMPONENT UNIT - ROAD COMMISSION

Notes Payable - Michigan Department of Transportation

On August 1, 2002, the Road Commission for Montcalm County borrowed \$2,000,000 at interest rates ranging from 2 to 3.4 percent. Payments are to be made in varying amounts for 10 years from the Michigan Department of Transportation Fund Revenue Notes of 2003 to defray the cost of constructing certain road improvements and facilities under the provisions of Public Act 143 of 1943.	<u>\$ 1,400,000</u>
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Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE H: LONG-TERM DEBT - CONTINUED

COMPONENT UNIT - ROAD COMMISSION - CONTINUED

Installment Leases

The Road Commission for Montcalm County entered into a lease agreement for \$176,944 at 4 percent interest on February 1, 2002 from Caterpillar Financial Services for the purpose of financing a grader. The lease agreement called for 59 monthly payments of principal and interest of \$1,675 and one payment of \$105,000. \$ 125,469

The Road Commission for Montcalm County entered into a lease agreement for \$128,175 at 4 percent interest on February 1, 2002 from Caterpillar Financial Services for the purpose of financing a grader. The lease agreement called for 59 monthly payments of principal and interest of \$777 and on payment of \$105,000. 111,593

\$ 237,062

Compensated Absences

In accordance with Commission personnel policies and/or contracts negotiated with various employee groups of the Commission, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts.

The dollar amount of these vested rights, including related payroll taxes, amounts to \$74,880 at September 30, 2006.

The annual requirements to pay the debt principal and interest outstanding for the following Bonds and Notes are as follows:

Year Ending September 30,	Primary Government			
	Direct County Obligations		Capital Leases	
	Principal	Interest	Principal	Interest
2007	\$ 661,756	\$ 598,451	\$ 24,123	\$ -
2008	739,391	569,655	6,087	-
2009	770,262	535,834	-	-
2010	789,608	500,434	-	-
2011	700,520	463,838	-	-
2012-2016	3,036,458	1,883,176	-	-
2017-2021	3,690,000	1,174,125	-	-
2022-2026	<u>3,570,000</u>	<u>367,780</u>	<u>-</u>	<u>-</u>
	<u>\$13,957,995</u>	<u>\$ 6,093,293</u>	<u>\$ 30,210</u>	<u>\$ -0-</u>

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE H: LONG-TERM DEBT - CONTINUED

Year Ending September 30,	Component Units					
	Drain Bonds and Notes		Installment Purchase Agreements		Road Commission Notes Payable	
	Principal	Interest	Principal	Interest	Payment	Interest
2007	\$ 268,829	\$ 135,886	\$ 53,435	\$ 12,206	\$ 200,000	\$ 38,900
2008	208,729	127,809	250,777	4,273	200,000	34,900
2009	167,929	119,688	35,138	1,083	200,000	30,400
2010	109,929	112,717	-	-	200,000	25,300
2011	84,711	107,892	-	-	200,000	19,500
2012-2016	346,785	481,874	-	-	400,000	20,100
2017-2021	342,500	403,594	-	-	-	-
2022-2026	433,500	312,379	-	-	-	-
2027-2031	518,500	196,747	-	-	-	-
2032-2036	444,500	70,054	-	-	-	-
2037-2041	82,000	8,474	-	-	-	-
2042-2046	14,000	1,018	-	-	-	-
	<u>\$3,021,912</u>	<u>\$2,078,132</u>	<u>\$ 339,350</u>	<u>\$ 17,562</u>	<u>\$1,400,000</u>	<u>\$ 169,100</u>

NOTE I: EMPLOYEE RETIREMENT SYSTEMS

RETIREMENT SYSTEM - COUNTY GENERAL

Montcalm County is in a combined County single employer defined-benefit pension plan covering substantially all of its employees. The plan is administered by the Montcalm County Controller/Administrator and the County Pension Trust Committee. The plan is funded through the purchase of various investment vehicles as described in Note C. To be eligible for the plan, an employee must be a regular full-time employee who is not employed on a contract or fee basis with the County, provided such employee is not eligible for coverage, by reason of compensation received from the County, under any pension plan or retirement system other than that provided by the Social Security Act. The County's contributions for the year ended September 30, 2006 and 2005 were based on the payroll for employees covered by the plan for the year ending December 31, 2006 and 2005. The covered payroll for 2006 and 2005 was \$5,608,251 and \$5,657,627, respectively. The total payroll for the year ended September 30, 2006 and 2005 for the County General employees was \$8,726,041 and \$8,368,921, respectively. The plan provides retirement benefits, as well as death and disability benefits in accordance with benefit provisions as adopted by the Montcalm County Board of Commissioners. Retirement benefits are based on service and compensation and vested after five (5) years of service. At December 31, 2006, membership consisted of 84 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them and 137 current active employees. The plan is recorded as a Pension Trust Fund in the County financial statements and is accounted for on the accrual basis of accounting.

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE I: EMPLOYEE RETIREMENT SYSTEMS - CONTINUED

RETIREMENT SYSTEM - COUNTY GENERAL - CONTINUED

The obligation to contribute to and maintain the plan for covered employees was established in the County of Montcalm Pension Plan, as amended July 3, 1997, and requires the following employee contributions:

<u>Employee Group</u>	<u>Contribution Rate</u>
Fraternal Order of Police	5.5%
Employees not covered by any collective bargaining agreement and County General and Behavioral Health employees in Unit 1 - AFSCME prior to 7/6/97	5.0
<u>Period</u>	
On or after 7/6/97 and before 1/3/98	4.5%
On or after 1/4/98 but before 1/2/99	4.0
On or after 1/3/99	3.5
<u>Employee Group</u>	
Probate/Juvenile Court employees of Unit 2 - AFSCME	
64B District Court employees of Unit 3 - AFSCME	
<u>Period</u>	
On or before 9/14/97 and before 1/3/98	4.5%
On or before 1/4/98 but before 1/2/99	4.0
On or after 1/3/99	3.5

The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings. The actuarially determined combined employer and employee contributions for the plan year ended December 31, 2005, were \$604,844 and actual contributions were \$634,133. The actual employer contribution for the year ended September 30, 2006, was \$557,951. Employee contributions for the year ended September 30, 2006, were \$265,511.

SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (b)</u>	<u>Unfunded AAL (UAAL) (a-b)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a % of Covered Payroll</u>
1/1/04	\$ 14,602,802	\$ 22,417,371	\$(7,814,569)	65.14	\$ 7,444,958	104.96
1/1/05	14,429,363	19,721,021	(5,291,658)	73.17	5,657,627	93.53
1/1/06	15,145,142	20,021,389	(4,876,247)	75.64	5,608,251	86.94

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Plan Year Ended Dec. 31,</u>	<u>Annual Recommended Contribution</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
2005	\$ 348,844	\$ 369,651	105.96%
2004	546,082	425,235	77.87
2003	662,770	567,535	85.63

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE I: EMPLOYEE RETIREMENT SYSTEMS - CONTINUED

RETIREMENT SYSTEM - COUNTY GENERAL - CONTINUED

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2005, the latest actuarial valuation follows:

Actuarial cost method	Aggregate Cost Method
Amortization method	Level percent, closed
Remaining amortization period	*
Asset Valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.5 %
Projected salary increased attributable to inflation	4.0 %
Cost of living adjustments	None

* Information not provided in actuarial valuation report.

NOTE: The aggregate actuarial cost method does not identify and separately amortize unfunded actuarial liabilities.

The County also provides pension benefits for substantially all permanent, full and part time, non-union and union employees through a defined contribution plan, which was established by the Board of Commissioners and may be amended from time to time by the Board. This plan is administered by Michigan Municipal Employees Retirement System. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The County contributes 5% of each participant's earnings to the plan. Employees are required to contribute 3.5% of their wages. The County's contributions are vested at a rate of 33% after one (1) year of service and an additional 33% per year for each year thereafter with full vesting after three (3) years of continuous service.

During the year ended September 30, 2006, the contributions to the plan by employer and employee were \$982,982 and \$960,802, respectively.

RETIREMENT SYSTEM - DISTRICT HEALTH DEPARTMENT - COMPONENT UNIT

Plan Description

The Department participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all eligible full-time employees of the Department. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by the Board of Public Health. The plan requires a contribution from the employees ranging from 0-2.75 percent of wages depending on the employee group covered. The Department is required to contribute the remaining amounts necessary to fund the system.

Montcalm County, Michigan
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

NOTE I: EMPLOYEE RETIREMENT SYSTEMS - CONTINUED

RETIREMENT SYSTEM - DISTRICT HEALTH DEPARTMENT - COMPONENT UNIT - CONTINUED

Annual Pension Cost

For the year ended September 30, 2006, the Department's annual pension cost of \$283,421 for the plan was equal to the Department's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using the entry actual age cost method. Actual required contributions are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) a 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation (c) additional salary increases ranging from 0% to 8.4% per year depending on age, seniority and merit, and (d) assumption benefits will increase 2.5% per year after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five (5) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll contributions over 30 years.

Three (3) year trend information

	Year Ended December 31,		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
Actuarial value of assets	\$ 4,418,331	\$ 4,736,069	\$ 5,102,145
Actuarial accrued liability (AAL) (entry age)	5,060,456	5,280,923	5,692,860
Unfunded AAL	642,125	544,854	590,715
Funded ratio	87 %	90 %	90 %
Covered payroll	2,723,172	2,743,285	2,886,089
UAAL as a percentage of covered payroll	24 %	20 %	20 %

	Year Ended September 30,		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
Annual pension cost	\$ 258,402	\$ 291,913	\$ 283,421
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

This trend information was obtained from the most recently issued actuarial report.

RETIREMENT SYSTEM - ROAD COMMISSION - COMPONENT UNIT

Description of Plan and Plan Assets

The Road Commission for Montcalm County is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: Normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death allowance, duty-connected death allowance, post-retirement adjustments, and death-after-retirement surviving spouse benefit. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.0% of the final average compensation (FAC). The service requirement for salaried employees and commissioners is under the B-4 provision of the retirement contract. This requirement is computed using the same criteria as the B-2 provisions except a sum of 2.5% of the FAC is used. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2005.

MERS was organized pursuant to Section 12a of Public Act 156 of 1851 (MSA 5.333 (a); MCLA 46.12 (a)), as amended, State of Michigan. MERS is regulated under Public Act 220 of 1996, as amended. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, Michigan, 48917.

Montcalm County, Michigan
NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE I: EMPLOYEE RETIREMENT SYSTEMS - CONTINUED

RETIREMENT SYSTEM - ROAD COMMISSION - COMPONENT UNIT - CONTINUED

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Road Commission's competitive bargaining units and requires a 1.5% contribution from general employees and a 3.5% contribution from salaried employees and commissioners. The employees contributed \$42,869 during the calendar year ended December 31, 2005. The Road Commission is required to contribute at an actuarially determined rate; the rate was 11.45% for general employees and 25.85% for the manager for the calendar year ending December 31, 2005.

Annual Pension Cost

For the year ended December 31, 2005, the Road Commission's annual pension cost was \$373,284. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 31 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity and promotional salary increases.

Three (3) year trend information for GASB Statement No. 27

	Year Ended September 30,		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
Annual pension cost	\$ 344,664	\$ 389,163	373,284
Percentage of APC contributed	100 %	100 %	100 %

Required Supplementary Information for GASB Statement No. 27

	Year Ended December 31,		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
Actuarial value of assets	\$ 7,193,892	\$ 7,611,830	\$ 8,035,791
Accrued liability (AAL)	9,766,582	10,696,031	11,380,187
(Overfunded) AAL (UAAL)	2,572,690	3,084,201	3,344,396
Funded ratio	74 %	71 %	71 %
Covered payroll	1,805,672	1,964,443	2,089,052
Percent of covered payroll	142 %	157 %	160 %

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE J: POST-EMPLOYMENT BENEFITS

Road Commission (Component Unit)

Road Commission for Montcalm County provides post-employment health care benefits, in accordance with the labor contract and personnel policy, to all employees who retire from the Road Commission. The employer will pay all costs for health and vision insurance and prescription drugs, including spouse, for all vested employees who retire at age 60. The employer continues to pay the premiums until age 65. At age 65, retirees must reimburse the employer for the cost of insurance. For employees choosing to retire at age 55 with at least 15 years of service during an open window period, the Road Commission will pay ½ of the retiree's/spouse's monthly health insurance premium until the retiree turns age 60. The Road Commission pays 100% of the retiree's health insurance premium from age 60-65.

Currently, 29 retirees meet those eligibility requirements. Expenditures for post-employment health care benefits are recognized when insurance premiums are paid. Premiums paid by the Road Commission for the fiscal year ending September 30, 2006 totaled \$95,992. The expenditures are recognized as the insurance premiums become due on a pay-as-you-go-basis.

NOTE K: FEDERAL GRANTS

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the fiscal year ended September 30, 2006, the Federal aid received and expended by the Road Commission was \$44,987 for contracted projects and \$0 for negotiated projects. Contracted projects are defined as projects performed by private contractors paid for and administered by MDOT. The contracted Federal projects are not subject to single audit requirements by the road commissions, as they are included in MDOT's single audit. Negotiated projects are defined as projects performed by Road Commission employees or private contractors paid for and administered by the Road Commission.

NOTE L: RISK MANAGEMENT

The County participates in a pool, the Michigan Municipal Liability and Property Pool, with other municipalities for auto, property, electronic data processing equipment, crime, employee benefits, officials' errors and omissions, and liability losses. The pool is organized under Public Act 138 of 1982, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The County has not been informed of any special assessments being required.

The County also participates in a pool, the Michigan Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The County has not been informed of any special assessments being required.

Road Commission (Component Unit)

The Road Commission is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Road Commission has purchased commercial insurance for medical benefits' claims other than dental and participates in the Michigan County Road Commission Self-Insurance Pool for claims relating to general liability, excess liability, auto liability, trunkline liability, error and omissions, physical damage (equipment, buildings and contents) and workers' compensation. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE L: RISK MANAGEMENT - CONTINUED

Road Commission (Component Unit) - continued

The county road commissions in the State of Michigan established and created a trust fund, known as the Michigan County Road commission Self-Insurance Pool (Pool) pursuant to the provisions of Public Act 138 of 1982. The Pool is to provide for joint and cooperative action relative to members' financial and administrative resources for the purpose of providing risk management services along with property and liability protection. Membership is restricted to road commissions and related road commission activities with the State. The Montcalm County Road Commission became a charter member in 1982.

The Michigan County Road Commission Self-Insurance Pool program operates as a common risk-sharing management program for road commissions in Michigan; member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. If for any reason the Pool's resources available to pay losses are depleted, the payment of all unpaid losses of the member is the sole obligation of the member.

Dental claims are paid by the Road Commission to the employee up to a maximum per household. Benefits lapse at year end.

NOTE M: PROPERTY TAXES AND TAXES RECEIVABLE

The County property tax is levied each December 1 and July 1 on the taxable valuation of property located in the County as of the preceding December 31.

Beginning with the 2004 tax levy the State has mandated the creation of a Revenue Sharing Reserve fund into which one-third of the County's 2004 to 2006 ad valorem operating tax is being recognized. The purpose of the fund is to accumulate reserves of the County's own local funds from which an amount similar to Revenue Sharing payments, formerly made by the State, will be made back to the General Fund. As part of this process, the County's tax levy is shifting over the three year period from winter to summer.

The County's Winter 2005 and Summer 2006 ad valorem taxes were levied and collectible on December 1, 2005 and July 1, 2006, respectively. It is the County's policy to recognize revenues from the tax levy in the year when the proceeds of the levy are budgeted and made available for the financing of County operations. As a result, the County's Winter 2005 and Summer 2006 tax levies have been recognized as revenue in the current fiscal year. The 2005 taxable value of Montcalm County amounted to \$1,523,179,376 on which ad valorem taxes levied for County general operating purposes consisted of 2.9403 mills for Winter 2005 and 2.9359 mills for Summer 2006. For the year ended September 30, 2005, the County levied 0.2433 mills for the Commission on Aging, 0.4959 mills for Ambulance Services, 0.4407 mills for the library, 0.0010 mills for Veterans.

By resolution of the Board of Commissioners and agreement with various taxing authorities, the County purchased at face value the real property taxes receivable returned delinquent on March 1, 2006. Subsequent collections of delinquent taxes receivable, plus interest thereon and investment earnings, are used to repay the funds distributed by the Delinquent Tax Revolving Fund. This activity is accounted for in the Delinquent Tax Revolving (Enterprise) Fund.

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE N: FUND BALANCE RESERVES AND DESIGNATIONS

Reserved fund balance is used to earmark a portion of fund equity to indicate that it is not appropriate for expenditure or has been legally segregated for a specific future use. Designated fund balance indicates that portion of fund balance that the County has set aside for specific purposes.

The following are the various fund balance reserves as of September 30, 2006:

PRIMARY GOVERNMENT

General Fund

Reserved for

Prepays

\$ 80,787

Advances

187,016

General fund activities

399,562

\$ 667,365

General Projects Fund

Reserved for advances

\$ 164,318

Nonmajor governmental funds

Reserved for

Prepays

\$ 1,297

Marriage counseling

91,786

Trust activities

137,864

K-9 program

420

Debt service

158,998

\$ 390,365

COMPONENT UNITS

Central Dispatch Authority

Reserved for wireless surcharge

\$ 254,572

The following are the various fund balance designations as of September 30, 2006:

PRIMARY GOVERNMENT

Nonmajor governmental funds

Designated for capital projects

\$ 134,258

COMPONENT UNITS

Drainage Districts

Designated for capital projects

\$ 857,791

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE O: RESTRICTED NET ASSETS

Restrictions on net assets shown in the Government-wide financial statements indicate that restrictions imposed by the funding source preclude their use for unrestricted purposes. The following are the various net asset restrictions as of September 30, 2006:

PRIMARY GOVERNMENT

Governmental activities

Restricted for

Public safety

Drug law enforcement	\$ 6,973
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Law enforcement	1,125
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Victim support team	<u>2,683</u>
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	<u>\$ 10,781</u>
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Solid waste planning	<u>\$ 303,862</u>
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Other purposes

Public improvement	\$ 18,717
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Cemetery	110,900
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Law library	2,562
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Register of Deeds Automation	115,541
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Commission on Aging	208,027
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D.H.S. State monies	49,000
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Childcare - juvenile	<u>46,950</u>
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	<u>\$ 551,697</u>
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COMPONENT UNITS

Drainage districts

Restricted for debt service	<u>\$ 225,020</u>
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NOTE P: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

In the budgetary comparison schedules shown as required supplementary information to the financial statements, the County's budgeted expenditures in the General and Major Special Revenue Funds have been shown at the functional classification level. The approved budgets of the County have been adopted at the activity level for the General Fund and the fund level for the Special Revenue Funds.

During the year ended September 30, 2006, the County incurred expenditures in the General Fund and Special Revenue Funds in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
General government			
Board of Commissioners	\$ 152,582	\$ 153,202	\$ 620
Clerk	301,101	302,115	1,014
Health and welfare			
District Health Department	475,737	475,817	80
Debt Service			
Interest	3,200	8,831	5,631

Montcalm County, Michigan
NOTES TO FINANCIAL STATEMENTS
September 30, 2006

NOTE P: EXCESS OF EXPENDITURES OVER APPROPRIATIONS - CONTINUED

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
Revenue Sharing Reserve Fund	\$ 1,123,484	\$ 1,126,756	\$ 3,272
Parks and Recreation Fund	50,785	51,554	769
Homeland Security Grant Fund	412,850	420,482	7,632
Register of Deeds Automation Fund	49,500	67,473	17,973
CMET Fund	-	78,374	78,374
County Library Fund	620,000	668,250	48,250
CDBG Housing Fund	175,000	186,245	11,245
Juvenile Child Care Fund	915,000	991,560	76,560

NOTE Q: RESTATEMENT OF NET ASSETS

As of and for the year ended September 30, 2006, the County recognized the Central Dispatch Authority as a discretely presented component unit. In the previous year, the Central Dispatch Authority was reported as a Special Revenue Fund of the primary government. Beginning net asset balances were restated as follows:

Governmental activities net assets as of September 30, 2005	\$ 7,499,786
Less: Central Dispatch Authority	<u>(528,952)</u>
Restated governmental activities net assets as of September 30, 2005	<u>\$ 6,970,834</u>
Component unit net assets as of September 30, 2005	\$ 35,508,990
Add: Central Dispatch Authority	<u>528,952</u>
Restated component unit net assets as of September 30, 2005	<u>\$ 36,037,942</u>

REQUIRED SUPPLEMENTARY INFORMATION

Montcalm County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES
AND OTHER FINANCING SOURCES

Year Ended September 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Taxes				
Current property taxes	\$ 8,453,740	\$ 8,453,740	\$ 8,312,406	\$ (141,334)
Delinquent property taxes	20,000	20,000	20,347	347
Payments in lieu of taxes	6,000	6,000	12,027	6,027
Mobile home park taxes	3,200	3,200	3,457	257
Other taxes	316	316	308	(8)
Total taxes	8,483,256	8,483,256	8,348,545	(134,711)
Licenses and permits				
Dog licenses	130,000	136,000	139,879	3,879
Marriage license fees	2,500	2,500	2,630	130
Gun permits	4,000	4,000	3,764	(236)
Total licenses and permits	136,500	142,500	146,273	3,773
Intergovernmental - Federal/State				
Cooperative reimbursement - Prosecutor	65,000	65,000	63,811	(1,189)
Central Michigan Enforcement Team	56,160	56,160	61,085	4,925
Probate Judge's salary	105,098	105,098	101,656	(3,442)
Judicial salary standardization	137,172	137,172	137,172	-0-
Case flow assistance	10,225	10,225	10,811	586
Sheriff secondary road patrol	118,000	130,000	132,598	2,598
Marine safety	27,750	27,750	42,617	14,867
Victims Rights Act	45,600	45,600	43,096	(2,504)
Juvenile officer grant	27,320	27,320	27,317	(3)
State remonumentation	75,000	100,000	101,944	1,944
Convention and tourism tax	150,000	180,810	180,810	-0-
Cigarette tax	42,000	42,000	38,297	(3,703)
Liquor license fees	7,500	7,500	7,740	240
Michigan justice training	6,000	6,000	5,972	(28)
BVP grant	10,000	10,000	-	(10,000)
Community corrections grant	-	175,000	160,422	(14,578)
Court equity	380,000	380,000	340,855	(39,145)
Highway safety	-	-	4,181	4,181
Total intergovernmental - Federal/State	1,262,825	1,505,635	1,460,384	(45,251)

Montcalm County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES
AND OTHER FINANCING SOURCES - CONTINUED

Year Ended September 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Charges for services				
District Court	\$ 826,200	\$ 826,200	\$ 744,974	\$ (81,226)
Circuit Court	92,100	92,100	96,516	4,416
Probate Court	49,500	49,500	40,395	(9,105)
County Treasurer	75,050	75,050	42,668	(32,382)
County Clerk	110,400	126,400	138,430	12,030
Register of Deeds	739,787	739,787	713,144	(26,643)
Sheriff department	247,500	267,000	291,599	24,599
Care of prisoners	428,850	443,850	467,295	23,445
Animal shelter	5,000	5,000	10,685	5,685
Phone services	67,000	67,000	66,412	(588)
Central services	380,000	380,000	308,434	(71,566)
Other	1,500	1,500	4,622	3,122
Total charges for services	3,022,887	3,073,387	2,925,174	(148,213)
Fines and forfeits				
Ordinance fines and costs	145,250	145,250	123,014	(22,236)
Interest and rents				
Interest revenue	74,115	194,115	221,692	27,577
Rental fees	131,500	131,500	131,500	-0-
Total interest and rents	205,615	325,615	353,192	27,577
Other				
Insurance dividends	50,000	50,000	31,692	(18,308)
Sale of fixed assets	14,000	14,000	10,936	(3,064)
Reimbursement and refunds	179,020	240,620	194,771	(45,849)
Remonumentation contribution	18,000	18,000	25,200	7,200
Other	4,000	4,000	15,202	11,202
Total other	265,020	326,620	277,801	(48,819)
TOTAL REVENUES	13,521,353	14,002,263	13,634,383	(367,880)
OTHER FINANCING SOURCES				
Transfers in	2,081,521	2,081,521	1,854,074	(227,447)
Loan proceeds	500,000	500,000	-	(500,000)
TOTAL OTHER FINANCING SOURCES	2,581,521	2,581,521	1,854,074	(727,447)
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 16,102,874</u>	<u>\$ 16,583,784</u>	<u>\$ 15,488,457</u>	<u>\$ (1,095,327)</u>

Montcalm County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND
OTHER FINANCING USES BY ACTIVITY

Year Ended September 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
General government				
Board of Commissioners	\$ 151,982	\$ 152,582	\$ 153,202	\$ (620)
Circuit Court	376,048	441,048	391,138	49,910
Circuit Court probation	5,373	6,323	6,276	47
District Court	623,135	671,749	670,792	957
District Court probation	178,286	177,286	166,484	10,802
Probate Court	822,895	877,395	877,124	271
Jury Board	4,200	4,475	4,464	11
Witness fees	12,721	13,621	13,606	15
Elections	51,787	51,787	37,311	14,476
Clerk	309,101	301,101	302,115	(1,014)
Professional consultants	51,600	91,600	82,168	9,432
Controller	283,795	303,895	303,863	32
Risk management	1,000	1,000	-	1,000
Equalization	305,245	298,145	256,888	41,257
Prosecuting Attorney	445,497	445,497	438,304	7,193
Register of Deeds	260,016	275,716	268,319	7,397
Information Systems	61,050	96,050	92,898	3,152
Central services	14,340	14,340	13,997	343
Survey and remonumentation	137,465	177,465	173,355	4,110
Treasurer	209,399	253,035	248,459	4,576
Cooperative extension	222,179	222,179	221,825	354
Building and grounds	803,021	773,021	737,773	35,248
Building rent	1,025,000	1,025,000	1,011,619	13,381
Drain Commission	169,442	170,142	169,930	212
Total general government	6,524,577	6,844,452	6,641,910	202,542
Public safety				
Sheriff - general	1,679,016	1,741,496	1,737,275	4,221
Sheriff - road patrol	163,750	198,750	198,746	4
Contracted police service	193,541	201,041	200,136	905
Justice training	6,000	6,000	5,840	160
Building security	105,347	111,697	111,680	17
Marine safety	49,136	67,136	55,564	11,572
Jail	2,260,711	2,435,712	2,308,148	127,564
West Michigan Planning	51,961	51,961	47,005	4,956
Disaster relief	500	1,050	1,027	23
Animal control	147,539	146,539	145,646	893
Total public safety	4,657,501	4,961,382	4,811,067	150,315
Public works				
Drains at large	109,755	114,405	114,357	48

Montcalm County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND
OTHER FINANCING USES BY ACTIVITY - CONTINUED

Year Ended September 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Health and welfare				
Contagious diseases	\$ 5,700	\$ 6,150	\$ 6,147	\$ 3
Medical examiner	88,140	112,640	112,595	45
Veterans burials	7,115	7,115	4,650	2,465
Substance Abuse Commission	85,000	90,500	90,405	95
Mental Health	188,053	188,053	188,053	-0-
District Health Department	475,737	475,737	475,817	(80)
Total health and welfare	849,745	880,195	877,667	2,528
Community and economic development				
Economic development	5,000	5,000	5,000	-0-
Other				
Insurance	150,000	150,000	139,449	10,551
Contingency	162,000	29,862	-	29,862
Total other	312,000	179,862	139,449	40,413
Debt service				
Principal	30,000	23,000	16,540	6,460
Interest	3,200	3,200	8,831	(5,631)
Total debt service	33,200	26,200	25,371	829
TOTAL EXPENDITURES	12,491,778	13,011,496	12,614,821	396,675
OTHER FINANCING USES				
Transfers to other funds				
Parks and Recreation Fund	29,600	34,500	34,500	-0-
Revenue Sharing Reserve Fund	2,135,469	2,135,469	1,977,950	157,519
Friend of the Court Fund	16,000	22,700	22,614	86
DHS Fund	5,000	5,000	5,000	-0-
Juvenile Child Care Fund	650,000	650,000	577,000	73,000
DHS Child Care Fund	6,000	6,000	6,000	-0-
Law Enforcement Fund	1,200	1,200	-	1,200
Law Library Fund	5,000	5,000	4,000	1,000
Equipment Purchase and Replacement Fund	770,000	686,526	122,223	564,303
Register of Deeds Automation Fund	95,000	95,000	89,810	5,190
Post-Employment Health Fund	20,000	20,000	20,000	-0-
TOTAL OTHER FINANCING USES	3,733,269	3,661,395	2,859,097	802,298
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 16,225,047	\$ 16,672,891	\$ 15,473,918	\$ 1,198,973

Montcalm County, Michigan
Revenue Sharing Reserve Fund
BUDGETARY COMPARISON SCHEDULE
Year Ended September 30, 2006

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Interest	\$ 10,000	\$ 10,000	\$ -	\$ (10,000)
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-0-</u>
EXCESS OF REVENUES OVER EXPENDITURES	10,000	10,000	-0-	(10,000)
OTHER FINANCING SOURCES (USES)				
Transfers in	2,135,469	2,135,469	1,977,950	(157,519)
Transfers out	<u>(1,123,484)</u>	<u>(1,123,484)</u>	<u>(1,126,756)</u>	<u>(3,272)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,011,985</u>	<u>1,011,985</u>	<u>851,194</u>	<u>(160,791)</u>
NET CHANGE IN FUND BALANCE	1,021,985	1,021,985	851,194	(170,791)
Fund balance, beginning of year	<u>653,129</u>	<u>653,129</u>	<u>653,129</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 1,675,114</u>	<u>\$ 1,675,114</u>	<u>\$ 1,504,323</u>	<u>\$ (170,791)</u>

OTHER SUPPLEMENTARY INFORMATION

Montcalm County, Michigan
Nonmajor Governmental Funds
COMBINING BALANCE SHEET
September 30, 2006

	Special		
	Parks and Recreation	Solid Waste Planning	Local Correction Officer Training
ASSETS			
Cash and cash equivalents	\$ 2,596	\$ 269,791	\$ 27,018
Investments	-	-	-
Accounts receivable	-	46,046	-
Land contract receivable	-	-	-
Due from other funds	-	-	-
Due from other governmental units			
Federal/State	-	-	-
Prepays	-	-	-
TOTAL ASSETS	<u>\$ 2,596</u>	<u>\$ 315,837</u>	<u>\$ 27,018</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 1,869	\$ 11,975	\$ -
Accrued wages	708	-	-
Accrued liabilities	-	-	-
Due to other funds	-	-	-
Due to other governmental units			
Federal/State	-	-	-
Deferred revenue	-	-	-
TOTAL LIABILITIES	2,577	11,975	-0-
FUND BALANCES			
Reserved for			
Prepays	-	-	-
Marriage counseling	-	-	-
Wireless surcharge	-	-	-
Trust activities	-	-	-
K-9 program	-	-	-
Debt service	-	-	-
Unreserved			
Designated for capital expenditures	-	-	-
Undesignated, reported in:			
Special revenue funds	19	303,862	27,018
Capital projects funds	-	-	-
TOTAL FUND BALANCES	<u>19</u>	<u>303,862</u>	<u>27,018</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,596</u>	<u>\$ 315,837</u>	<u>\$ 27,018</u>

Revenue				
Friend of the Court	Law Enforcement	County Libraries	Law Library	Commission on Aging
\$ 39,753	\$ 9,585	\$ (124,465)	\$ 2,562	\$ 162,633
10,837	-	-	-	42,943
1,577	-	134,105	-	21,327
-	-	-	-	-
-	2,164	1,380	-	-
85,967	-	53,328	-	-
1,297	-	-	-	-
<u>\$ 139,431</u>	<u>\$ 11,749</u>	<u>\$ 64,348</u>	<u>\$ 2,562</u>	<u>\$ 226,903</u>
\$ 6,094	\$ 16	\$ 53,328	\$ -	\$ 7,836
18,779	-	-	-	11,040
-	-	6,150	-	-
-	10,608	-	-	-
-	-	-	-	-
-	-	-	-	-
24,873	10,624	59,478	-0-	18,876
1,297	-	-	-	-
91,786	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	420	-	-	-
-	-	-	-	-
-	-	-	-	-
21,475	705	4,870	2,562	208,027
-	-	-	-	-
<u>114,558</u>	<u>1,125</u>	<u>4,870</u>	<u>2,562</u>	<u>208,027</u>
<u>\$ 139,431</u>	<u>\$ 11,749</u>	<u>\$ 64,348</u>	<u>\$ 2,562</u>	<u>\$ 226,903</u>

Montcalm County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

September 30, 2006

	Special		
	DHS Child Care	CDBG - Housing	Juvenile Child Care
ASSETS			
Cash and cash equivalents	\$ -	\$ 9,463	\$ (88,936)
Investments	-	19,964	-
Accounts receivable	-	-	-
Land contract receivable	-	-	-
Due from other funds	-	13	-
Due from other governmental units			
Federal/State	-	-	232,671
Prepays	-	-	-
TOTAL ASSETS	<u>\$ -0-</u>	<u>\$ 29,440</u>	<u>\$ 143,735</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ 5,000	\$ 96,785
Accrued wages	-	-	-
Accrued liabilities	-	-	-
Due to other funds	-	-	-
Due to other governmental units			
Federal/State	-	-	-
Deferred revenue	-	-	-
TOTAL LIABILITIES	-0-	5,000	96,785
FUND BALANCES			
Reserved for			
Prepays	-	-	-
Marriage counseling	-	-	-
Wireless surcharge	-	-	-
Trust activities	-	-	-
K-9 program	-	-	-
Debt service	-	-	-
Unreserved			
Designated for capital expenditures	-	-	-
Undesignated, reported in:			
Special revenue funds	-	24,440	46,950
Capital projects funds	-	-	-
TOTAL FUND BALANCES	<u>-0-</u>	<u>24,440</u>	<u>46,950</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -0-</u>	<u>\$ 29,440</u>	<u>\$ 143,735</u>

Revenue				
Drug Law Enforcement	Homeland Security Grant	Community Information Systems	Veterans Trust	Public Improvement
\$ 6,973	\$ (108,911)	\$ (1,966)	\$ 336	\$ 6,092
-	-	18,980	-	12,625
-	-	3,000	-	-
-	-	-	-	-
-	-	-	-	-
-	158,229	-	3,614	-
-	-	-	-	-
<u>\$ 6,973</u>	<u>\$ 49,318</u>	<u>\$ 20,014</u>	<u>\$ 3,950</u>	<u>\$ 18,717</u>
\$ -	\$ 48,915	\$ 819	\$ 1,898	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	403	-	-	-
-	-	-	-	-
-0-	49,318	819	1,898	-0-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	18,717
6,973	-	19,195	2,052	-
-	-	-	-	-
<u>6,973</u>	<u>-0-</u>	<u>19,195</u>	<u>2,052</u>	<u>18,717</u>
<u>\$ 6,973</u>	<u>\$ 49,318</u>	<u>\$ 20,014</u>	<u>\$ 3,950</u>	<u>\$ 18,717</u>

Montcalm County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

September 30, 2006

	Soldiers and Sailors Relief	Special	
		DHS	CMET
ASSETS			
Cash and cash equivalents	\$ 3,790	\$ 110,000	\$ -
Investments	-	-	-
Accounts receivable	-	-	-
Land contract receivable	-	-	-
Due from other funds	-	-	-
Due from other governmental units			
Federal/State	-	-	-
Prepays	-	-	-
TOTAL ASSETS	<u>\$ 3,790</u>	<u>\$ 110,000</u>	<u>\$ -0-</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Accrued wages	-	-	-
Accrued liabilities	-	-	-
Due to other funds	-	-	-
Due to other governmental units			
Federal/State	-	61,000	-
Deferred revenue	-	-	-
TOTAL LIABILITIES	-0-	61,000	-0-
FUND BALANCES			
Reserved for			
Prepays	-	-	-
Marriage counseling	-	-	-
Wireless surcharge	-	-	-
Trust activities	-	-	-
K-9 program	-	-	-
Debt service	-	-	-
Unreserved			
Designated for capital expenditures	-	-	-
Undesignated, reported in:			
Special revenue funds	3,790	49,000	-
Capital projects funds	-	-	-
TOTAL FUND BALANCES	<u>3,790</u>	<u>49,000</u>	<u>-0-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,790</u>	<u>\$ 110,000</u>	<u>\$ -0-</u>

Revenue			
Register of Deeds Automation	Cemetery	Law Enforcement Trust	Victim Support Team
\$ (38,036)	\$ -	\$ 24,281	\$ 3,964
153,777	11,868	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 115,741</u>	<u>\$ 11,868</u>	<u>\$ 24,281</u>	<u>\$ 3,964</u>
\$ 200	\$ -	\$ -	\$ 125
-	-	-	-
-	-	-	-
-	-	-	1,156
-	-	-	-
-	-	-	-
<u>200</u>	<u>-0-</u>	<u>-0-</u>	<u>1,281</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	11,868	24,281	2,683
-	-	-	-
-	-	-	-
115,541	-	-	-
-	-	-	-
-	-	-	-
<u>115,541</u>	<u>11,868</u>	<u>24,281</u>	<u>2,683</u>
<u>\$ 115,741</u>	<u>\$ 11,868</u>	<u>\$ 24,281</u>	<u>\$ 3,964</u>

Montcalm County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

September 30, 2006

	Debt Service	Capital	
	Building Authority	Building Authority	Jail Improvement
ASSETS			
Cash and cash equivalents	\$ 160,783	\$ 25,442	\$ 71,766
Investments	590	10,619	-
Accounts receivable	-	-	-
Land contract receivable	-	-	-
Due from other funds	-	-	-
Due from other governmental units	-	-	-
Federal/State	-	-	-
Prepays	-	-	-
TOTAL ASSETS	\$ 161,373	\$ 36,061	\$ 71,766
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ 35,144
Accrued wages	-	-	-
Accrued liabilities	-	-	-
Due to other funds	2,375	306	-
Due to other governmental units	-	-	-
Federal/State	-	-	-
Deferred revenue	-	-	-
TOTAL LIABILITIES	2,375	306	35,144
FUND BALANCES			
Reserved for			
Prepays	-	-	-
Marriage counseling	-	-	-
Wireless surcharge	-	-	-
Trust activities	-	-	-
K-9 program	-	-	-
Debt service	158,998	-	-
Unreserved			
Designated for capital expenditures	-	-	-
Undesignated, reported in:			
Special revenue funds	-	-	-
Capital projects funds	-	35,755	36,622
TOTAL FUND BALANCES	158,998	35,755	36,622
TOTAL LIABILITIES AND FUND BALANCES	\$ 161,373	\$ 36,061	\$ 71,766

Projects		Permanent	Total Nonmajor Governmental Funds
Park Improvements	Equipment Purchase and Replacement	Cemetery	
\$ 5,337	\$ 3,364	\$ 700	\$ 583,915
51,120	144,042	98,332	575,697
-	-	-	206,055
160,750	-	-	160,750
-	10,608	-	14,165
-	-	-	533,809
-	-	-	1,297
<u>\$ 217,207</u>	<u>\$ 158,014</u>	<u>\$ 99,032</u>	<u>\$ 2,075,688</u>
\$ -	\$ 8,719	\$ -	\$ 278,723
-	-	-	30,527
-	-	-	6,150
-	-	-	14,445
-	-	-	61,000
160,750	-	-	161,153
160,750	8,719	-0-	\$ 551,998
-	-	-	1,297
-	-	-	91,786
-	-	-	-
-	-	99,032	137,864
-	-	-	420
-	-	-	158,998
-	-	-	134,258
-	-	-	720,938
56,457	149,295	-	278,129
56,457	149,295	99,032	1,523,690
<u>\$ 217,207</u>	<u>\$ 158,014</u>	<u>\$ 99,032</u>	<u>\$ 2,075,688</u>

Montcalm County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended September 30, 2006

	Special		
	Parks and Recreation	Solid Waste Planning	Local Correction Officer Training
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental -			
Federal/State	-	-	-
Local	-	-	-
Charges for services	13,020	177,036	22,136
Fines and forfeits	-	-	-
Interest and rents	-	-	-
Other	-	4,397	-
TOTAL REVENUES	13,020	181,433	22,136
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	14,292
Public works	-	255,468	-
Health and welfare	-	-	-
Community and economic development	-	-	-
Recreation and cultural	51,554	-	-
Capital outlay	-	-	-
Debt service	-	-	-
TOTAL EXPENDITURES	51,554	255,468	14,292
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(38,534)	(74,035)	7,844
OTHER FINANCING SOURCES (USES)			
Bond premium	-	-	-
Bond and loan proceeds	-	-	-
Bond issuance costs	-	-	-
Underwriter discount	-	-	-
Transfer to escrow agent	-	-	-
Transfers in	34,500	-	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	34,500	-0-	-0-
NET CHANGE IN FUND BALANCES	(4,034)	(74,035)	7,844
Fund balances, beginning of year	4,053	377,897	19,174
Fund balances, end of year	\$ 19	\$ 303,862	\$ 27,018

Revenue				
Friend of the Court	Law Enforcement	County Libraries	Law Library	Commission on Aging
\$ -	\$ -	\$ 618,133	\$ -	\$ 339,187
7,170	-	-	-	-
541,112	-	53,328	-	131,638
-	-	-	-	-
104,413	-	-	-	22,553
-	-	-	6,500	-
474	37	-	-	5,535
-	-	-	-	20,225
653,169	37	671,461	6,500	519,138
692,781	-	-	10,368	-
-	331	-	-	-
-	-	-	-	-
-	-	-	-	476,674
-	-	-	-	-
-	-	668,250	-	-
-	-	-	-	-
-	-	-	-	32,430
692,781	331	668,250	10,368	509,104
(39,612)	(294)	3,211	(3,868)	10,034
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
22,614	-	-	4,000	-
-	-	-	-	(3,685)
22,614	-0-	-0-	4,000	(3,685)
(16,998)	(294)	3,211	132	6,349
131,556	1,419	1,659	2,430	201,678
\$ 114,558	\$ 1,125	\$ 4,870	\$ 2,562	\$ 208,027

Montcalm County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended September 30, 2006

	Special		
	DHS Child Care	CDBG - Housing	Juvenile Child Care
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental -			
Federal/State	-	169,936	392,828
Local	226	-	-
Charges for services	-	34,576	66,521
Fines and forfeits	-	-	-
Interest and rents	-	504	-
Other	-	2,000	50
TOTAL REVENUES	226	207,016	459,399
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Health and welfare	10,074	-	991,560
Community and economic development	-	186,245	-
Recreation and cultural	-	-	-
Capital outlay	-	-	-
Debt service	-	-	-
TOTAL EXPENDITURES	10,074	186,245	991,560
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(9,848)	20,771	(532,161)
OTHER FINANCING SOURCES (USES)			
Bond premium	-	-	-
Bond and loan proceeds	-	-	-
Bond issuance costs	-	-	-
Underwriter discount	-	-	-
Transfer to escrow agent	-	-	-
Transfers in	6,000	-	577,000
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	6,000	-0-	577,000
NET CHANGE IN FUND BALANCES	(3,848)	20,771	44,839
Fund balances, beginning of year	3,848	3,669	2,111
Fund balances, end of year	\$ -0-	\$ 24,440	\$ 46,950

Revenue				
Drug Law Enforcement	Homeland Security Grant	Community Information Systems	Veterans Trust	Public Improvement
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	420,325	-	9,070	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	959	-	4,292
215	-	2,900	-	-
215	420,325	3,859	9,070	4,292
-	-	8,429	-	-
-	420,482	-	-	-
-	-	-	-	-
-	-	-	8,259	-
-	-	-	-	2,751
-	-	-	-	-
-	-	-	-	-
-0-	420,482	8,429	8,259	2,751
215	(157)	(4,570)	811	1,541
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	157	-	-	-
-	-	-	-	-
-0-	157	-0-	-0-	-0-
215	-0-	(4,570)	811	1,541
6,758	-	23,765	1,241	17,176
\$ 6,973	\$ -0-	\$ 19,195	\$ 2,052	\$ 18,717

Montcalm County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended September 30, 2006

	Special		
	Soldiers and Sailors Relief	DHS	CMET
REVENUES			
Taxes	\$ 1,210	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental -			
Federal/State	-	306,657	-
Local	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and rents	-	-	-
Other	-	91,429	-
TOTAL REVENUES	1,210	398,086	-0-
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	78,374
Public works	-	-	-
Health and welfare	1,095	407,462	-
Community and economic development	-	-	-
Recreation and cultural	-	-	-
Capital outlay	-	-	-
Debt service	-	-	-
TOTAL EXPENDITURES	1,095	407,462	78,374
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	115	(9,376)	(78,374)
OTHER FINANCING SOURCES (USES)			
Bond premium	-	-	-
Bond and loan proceeds	-	-	-
Bond issuance costs	-	-	-
Underwriter discount	-	-	-
Transfer to escrow agent	-	-	-
Transfers in	-	5,000	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	5,000	-0-
NET CHANGE IN FUND BALANCES	115	(4,376)	(78,374)
Fund balances, beginning of year	3,675	53,376	78,374
Fund balances, end of year	\$ 3,790	\$ 49,000	\$ -0-

Revenue			
Register of Deeds Automation	Cemetery	Law Enforcement Trust	Victim Support Team
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	600	-	-
-	-	-	-
5,897	-	-	5
-	-	3,982	1,950
5,897	600	3,982	1,955
18,125	1,819	-	-
-	-	150	-
-	-	-	-
-	-	-	1,282
-	-	-	-
-	-	-	-
29,348	-	-	-
-	-	-	-
47,473	1,819	150	1,282
(41,576)	(1,219)	3,832	673
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
89,810	-	-	-
(20,000)	-	-	-
69,810	-0-	-0-	-0-
28,234	(1,219)	3,832	673
87,307	13,087	20,449	2,010
\$ 115,541	\$ 11,868	\$ 24,281	\$ 2,683

Montcalm County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended September 30, 2006

	Debt Service	Capital	
	Building Authority	Building Authority	Jail Improvement
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental -			
Federal/State	-	-	-
Local	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and rents	1,264,643	1,448	1,692
Other	-	-	-
TOTAL REVENUES	1,264,643	1,448	1,692
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Health and welfare	-	-	-
Community and economic development	-	-	-
Recreation and cultural	-	-	-
Capital outlay	-	-	240,070
Debt service	1,105,645	-	-
TOTAL EXPENDITURES	1,105,645	-0-	240,070
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	158,998	1,448	(238,378)
OTHER FINANCING SOURCES (USES)			
Bond premium	149,828	-	-
Bond and loan proceeds	9,320,000	-	275,000
Bond issuance costs	(82,036)	-	-
Underwriter discount	(83,880)	-	-
Transfer to escrow agent	(9,303,912)	-	-
Transfers in	-	-	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	275,000
NET CHANGE IN FUND BALANCES	158,998	1,448	36,622
Fund balances, beginning of year	-	34,307	-
Fund balances, end of year	\$ 158,998	\$ 35,755	\$ 36,622

Projects		Permanent	Total
Park Improvements	Equipment Purchase and Replacement	Cemetery	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 958,530
-	-	-	7,170
-	-	-	2,024,894
-	-	-	226
-	-	-	440,855
-	-	-	6,500
2,850	9,042	4,870	1,302,248
10,675	-	-	137,823
13,525	9,042	4,870	4,878,246
-	-	-	731,522
-	-	-	513,629
-	-	-	255,468
-	-	-	1,896,406
-	-	-	188,996
-	-	-	719,804
64,288	493,954	-	827,660
-	-	-	1,138,075
64,288	493,954	-0-	6,271,560
(50,763)	(484,912)	4,870	(1,393,314)
-	-	-	149,828
-	500,000	-	10,095,000
-	-	-	(82,036)
-	-	-	(83,880)
-	-	-	(9,303,912)
-	125,908	-	864,989
-	-	-	(23,685)
-0-	625,908	-0-	1,616,304
(50,763)	140,996	4,870	222,990
107,220	8,299	94,162	1,300,700
\$ 56,457	\$ 149,295	\$ 99,032	\$ 1,523,690

Montcalm County, Michigan

Nonmajor Enterprise Funds

COMBINING STATEMENT OF NET ASSETS

September 30, 2006

	Inmate Commissary	Building Official	Total Nonmajor Enterprise Funds
ASSETS			
Current assets			
Cash and cash equivalents	\$ 21,562	\$ (12,964)	\$ 8,598
Investments	-	3,596	3,596
Prepays	-	3,600	3,600
Total current assets	21,562	(5,768)	15,794
Noncurrent assets			
Capital assets, net of accumulated depreciation	-	21,456	21,456
TOTAL ASSETS	21,562	15,688	37,250
LIABILITIES			
Current liabilities			
Accounts payable	9,180	1,068	10,248
Accrued wages	-	12,013	12,013
TOTAL LIABILITIES	9,180	13,081	22,261
NET ASSETS			
Invested in capital assets, net of related debt	-	21,456	21,456
Unrestricted	12,382	(18,849)	(6,467)
TOTAL NET ASSETS	\$ 12,382	\$ 2,607	\$ 14,989

Montcalm County, Michigan

Nonmajor Enterprise Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended September 30, 2006

	Inmate Commissary	Building Official	Total Nonmajor Enterprise Funds
OPERATING REVENUES			
Charges for services	\$ -	\$ 376,308	\$ 376,308
Sales	102,252	-	102,252
TOTAL OPERATING REVENUES	102,252	376,308	478,560
OPERATING EXPENSES			
Personnel services	-	297,324	297,324
Fringe benefits	-	91,894	91,894
Operating supplies	85,056	7,619	92,675
Contractual services	-	29,827	29,827
Communications	-	5,688	5,688
Depreciation	-	9,746	9,746
Insurance	-	3,608	3,608
Vehicle expense	-	2,649	2,649
Repairs and maintenance	-	645	645
Other	10,613	2,109	12,722
TOTAL OPERATING EXPENSES	95,669	451,109	546,778
OPERATING INCOME (LOSS)	6,583	(74,801)	(68,218)
NONOPERATING REVENUES			
Interest revenue	-	593	593
CHANGE IN NET ASSETS	6,583	(74,208)	(67,625)
Net assets, beginning of year	5,799	76,815	82,614
Net assets, end of year	\$ 12,382	\$ 2,607	\$ 14,989

Montcalm County, Michigan

Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended September 30, 2006

	Inmate Commissary	Building Official	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 102,252	\$ 376,308	\$ 478,560
Cash paid to suppliers	(91,497)	(56,102)	(147,599)
Cash paid for employee benefits	-	(93,264)	(93,264)
Cash paid to employees	-	(297,324)	(297,324)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	10,755	(70,382)	(59,627)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital acquisitions	-	(909)	(909)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	-	(3,596)	(3,596)
Interest revenue	-	593	593
NET CASH (USED) BY INVESTING ACTIVITIES	-0-	(3,003)	(3,003)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	10,755	(74,294)	(63,539)
Cash and cash equivalents, beginning of year	10,807	61,330	72,137
Cash and cash equivalents, end of year	<u>\$ 21,562</u>	<u>\$ (12,964)</u>	<u>\$ 8,598</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 6,583	\$ (74,801)	\$ (68,218)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	-	9,746	9,746
(Increase) in prepaids	-	(3,600)	(3,600)
Increase (decrease) in accounts payable	4,172	(357)	3,815
(Decrease) in accrued liabilities	-	(1,370)	(1,370)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 10,755</u>	<u>\$ (70,382)</u>	<u>\$ (59,627)</u>

Montcalm County, Michigan

Internal Service Funds

COMBINING STATEMENT OF NET ASSETS

September 30, 2006

	Office Equipment Pool	Post- Employment Health	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 36,523	\$ 54,401	\$ 90,924
Investments	-	75,094	75,094
Total current assets	36,523	129,495	166,018
Noncurrent assets			
Capital assets, net of accumulated depreciation	7,750	-	7,750
TOTAL ASSETS	44,273	129,495	173,768
LIABILITIES			
Current liabilities			
Accounts payable	20,012	-	20,012
NET ASSETS			
Invested in capital assets	7,750	-	7,750
Unrestricted	16,511	129,495	146,006
TOTAL NET ASSETS	\$ 24,261	\$ 129,495	\$ 153,756

Montcalm County, Michigan

Internal Service Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended September 30, 2006

	Office Equipment Pool	Post- Employment Health	Total
OPERATING REVENUES			
Other	\$ -	\$ 28,519	\$ 28,519
OPERATING EXPENSES			
Contractual services	4,997	-	4,997
Supplies	2,825	-	2,825
Depreciation	4,000	-	4,000
Other	19,542	45,156	64,698
TOTAL OPERATING EXPENSES	31,364	45,156	76,520
OPERATING (LOSS)	(31,364)	(16,637)	(48,001)
NONOPERATING REVENUES			
Interest revenue	-	3,286	3,286
LOSS BEFORE TRANSFERS	(31,364)	(13,351)	(44,715)
TRANSFERS IN	20,000	20,000	40,000
CHANGE IN NET ASSETS	(11,364)	6,649	(4,715)
Net assets, beginning of year	35,625	122,846	158,471
Net assets, end of year	\$ 24,261	\$ 129,495	\$ 153,756

Montcalm County, Michigan

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended September 30, 2006

	Office Equipment Pool	Post- Employment Health	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ -	\$ 28,519	\$ 28,519
Cash paid to suppliers	(8,020)	-	(8,020)
Cash paid for employee fringe benefits	-	(45,156)	(45,156)
NET CASH (USED) BY OPERATING ACTIVITIES	(8,020)	(16,637)	(24,657)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	-	20,000	20,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Transfer from other funds	20,000	-	20,000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	-	(75,094)	(75,094)
Interest revenue	-	3,286	3,286
NET CASH (USED) BY INVESTING ACTIVITIES	-0-	(71,808)	(71,808)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	11,980	(68,445)	(56,465)
Cash and cash equivalents, beginning of year	24,543	122,846	147,389
Cash and cash equivalents, end of year	<u>\$ 36,523</u>	<u>\$ 54,401</u>	<u>\$ 90,924</u>
Reconciliation of operating (loss) to net cash (used) by operating activities			
Operating (loss)	\$ (31,364)	\$ (16,637)	\$ (48,001)
Adjustments to reconcile operating loss to net cash used by operating activities			
Depreciation	4,000	-	4,000
Increase in accounts payable	19,344	-	19,344
NET CASH (USED) BY OPERATING ACTIVITIES	<u>\$ (8,020)</u>	<u>\$ (16,637)</u>	<u>\$ (24,657)</u>

Montcalm County, Michigan

Agency Funds

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

September 30, 2006

	Agency Funds		Total Agency Funds
	Trust and Agency	Library Fund	
ASSETS			
Cash and cash equivalents	\$ 4,083,448	\$ 113,211	\$ 4,196,659
LIABILITIES			
Due to other governmental units			
Federal/State	\$ 3,963,108	\$ -	\$ 3,963,108
Local	37	113,211	113,248
Due to individuals and agencies	120,303	-	120,303
TOTAL LIABILITIES	\$ 4,083,448	\$ 113,211	\$ 4,196,659

Montcalm County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - DRAINAGE DISTRICTS

September 30, 2006

	Debt Service	Capital	
	Regular Drain	Regular Drain	Drain Revolving
ASSETS			
Cash and cash equivalents	\$ -	\$ 197,471	\$ 208,655
Cash and cash equivalents - restricted	-	-	-
Investments	-	133,430	-
Accounts receivable	-	-	-
Special assessments receivable	1,310,342	-	-
Due from other funds	-	-	-
Capital assets not being depreciated	-	-	-
Capital assets, net of accumulated depreciation	-	-	-
TOTAL ASSETS	\$ 1,310,342	\$ 330,901	\$ 208,655
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	\$ -	\$ 13,642	\$ 38,639
Accrued wages	-	1,408	-
Due to other funds	-	-	-
Accrued interest payable	-	-	-
Deferred revenue	1,310,342	-	-
Bonds and notes payable	-	-	-
Advances from other governmental units	-	-	170,016
TOTAL LIABILITIES	1,310,342	15,050	208,655
FUND EQUITY			
Net assets			
Invested in capital assets, net of related debt	-	-	-
Unrestricted	-	-	-
Fund balances			
Unreserved			
Designated for capital expenditures	-	315,851	-
TOTAL FUND EQUITY	-0-	315,851	-0-
TOTAL LIABILITIES AND FUND EQUITY	\$ 1,310,342	\$ 330,901	\$ 208,655

Projects			Enterprise		Total
Drain Maintenance Revolving	Lake Level	Lake Level Revolving	Big Whitefish Lake	Little Whitefish Lake	
\$ 106,485	\$ 261,990	\$ 15,482	\$ 196,748	\$ (48,532)	\$ 938,299
-	-	-	-	225,020	225,020
-	186,903	-	-	334,960	655,293
-	-	-	-	7,438	7,438
-	-	-	-	206,124	1,516,466
-	-	1,518	-	-	1,518
-	-	-	75,650	-	75,650
-	-	-	608,149	2,210,674	2,818,823
<u>\$ 106,485</u>	<u>\$ 448,893</u>	<u>\$ 17,000</u>	<u>\$ 880,547</u>	<u>\$ 2,935,684</u>	<u>\$ 6,238,507</u>
\$ 4,179	\$ 41,862	\$ -	\$ 11,066	\$ 5,194	\$ 114,582
-	-	-	-	-	1,408
-	1,518	-	-	-	1,518
-	-	-	19,048	26,170	45,218
-	-	-	-	-	1,310,342
-	-	-	14,000	1,273,500	1,287,500
-	-	17,000	104,198	-	291,214
4,179	43,380	17,000	148,312	1,304,864	3,051,782
-	-	-	669,799	937,174	1,606,973
-	-	-	62,436	693,646	756,082
102,306	405,513	-	-	-	823,670
102,306	405,513	-0-	732,235	1,630,820	3,186,725
<u>\$ 106,485</u>	<u>\$ 448,893</u>	<u>\$ 17,000</u>	<u>\$ 880,547</u>	<u>\$ 2,935,684</u>	<u>\$ 6,238,507</u>

Montcalm County, Michigan

Component Unit Funds

RECONCILIATION OF THE COMBINING BALANCE SHEET TO
THE STATEMENT OF NET ASSETS - DRAINAGE DISTRICTS

September 30, 2006

Total fund balance - governmental funds \$ 823,670

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 2,431,865	
Accumulated depreciation is	<u>(56,744)</u>	2,375,121

Long-term receivables are not available to pay for current period expenditures and are therefore deferred in the funds. These consist of

Deferred revenue	1,310,342
------------------	-----------

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Bonds and notes payable	\$ (1,734,412)	
Accrued interest payable	<u>(10,877)</u>	<u>(1,745,289)</u>

Net assets of governmental activities \$ 2,763,844

Montcalm County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUND TYPES - DRAINAGE DISTRICTS

Year Ended September 30, 2006

	Debt Service	Capital	
	Regular Drain	Regular Drain	Drain Revolving
REVENUES			
Licenses and permits	\$ -	\$ -	\$ -
Charges for services	-	-	-
Interest	-	5,955	-
Other			
Special assessments	108,435	391,174	-
Other	-	3,213	-
TOTAL REVENUES	108,435	400,342	-0-
EXPENDITURES			
Current			
Public works	-	299,229	-
Capital outlay	-	10,803	-
Debt service			
Principal	288,616	-	-
Interest and fiscal charges	65,614	-	-
TOTAL EXPENDITURES	354,230	310,032	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(245,795)	90,310	-0-
OTHER FINANCING SOURCES (USES)			
Proceeds from notes	-	228,500	-
Transfers in	34,121	-	-
Transfers out	-	(34,121)	-
TOTAL OTHER FINANCING SOURCES (USES)	34,121	194,379	-
NET CHANGE IN FUND BALANCES	(211,674)	284,689	-0-
Fund balances, beginning of year	211,674	31,162	-
Fund balances, end of year	\$ -0-	\$ 315,851	\$ -0-

Projects			
Drain Maintenance Revolving	Lake Level	Lake Level Revolving	Total
\$ 10,500	\$ -	\$ -	\$ 10,500
49,895	-	-	49,895
-	8,179	-	14,134
-	477,047	-	976,656
-	99	-	3,312
60,395	485,325	-0-	1,054,497
21,613	390,807	-	711,649
-	-	-	10,803
-	-	-	288,616
-	-	-	65,614
21,613	390,807	-0-	1,076,682
38,782	94,518	-0-	(22,185)
-	-	-	228,500
-	-	-	228,500
38,782	94,518	-0-	206,315
63,524	310,995	-	617,355
\$ 102,306	\$ 405,513	\$ -0-	\$ 823,670

Montcalm County, Michigan

Component Unit Funds

RECONCILIATION OF THE COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES - DRAINAGE DISTRICTS

Year Ended September 30, 2006

Net change in fund balances - total governmental funds **\$ 206,315**

Amounts reported for governmental activities in the statement of activities are different because:

In the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Depreciation expense (48,637)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. In the current period, these amounts consist of:

(Decrease) in deferred revenue (298,186)

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets.

In the current year, these amounts consist of:

Long-term debt proceeds	\$ (228,500)
Bond and note principal retirement	<u>288,616</u>

Excess of debt retirement over debt proceeds 60,116

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable 2,962

Change in net assets of governmental activities **\$ (77,430)**

Montcalm County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND TYPES - DRAINAGE DISTRICTS

Year Ended September 30, 2006

	Enterprise		
	Big Whitefish Lake	Little Whitefish Lake	Total
OPERATING REVENUES			
Charges for services	\$ 61,920	\$ 51,408	\$ 113,328
OPERATING EXPENSES			
Contractual services	42,786	26,522	69,308
Depreciation	22,341	51,411	73,752
Other	12,799	12,180	24,979
TOTAL OPERATING EXPENSES	77,926	90,113	168,039
OPERATING (LOSS)	(16,006)	(38,705)	(54,711)
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	26,880	42,000	68,880
Interest expense	(4,003)	(63,327)	(67,330)
TOTAL NONOPERATING REVENUES (EXPENSES)	22,877	(21,327)	1,550
CHANGE IN NET ASSETS	6,871	(60,032)	(53,161)
Net assets, beginning of year	725,364	1,690,852	2,416,216
Net assets, end of year	\$ 732,235	\$ 1,630,820	\$ 2,363,055

Montcalm County, Michigan

Component Unit Funds

COMBINING STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPES
- DRAINAGE DISTRICTS

Year Ended September 30, 2006

	Enterprise		
	Big Whitefish Lake	Little Whitefish Lake	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from users	\$ 64,078	\$ 74,304	\$ 138,382
Cash paid to suppliers	(43,505)	(34,730)	(78,235)
NET CASH PROVIDED BY OPERATING ACTIVITIES	20,573	39,574	60,147
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest expense	(4,003)	(63,327)	(67,330)
Payments of borrowings	(14,000)	(17,000)	(31,000)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(18,003)	(80,327)	(98,330)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	-	(334,960)	(334,960)
Interest revenue	26,880	42,000	68,880
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	26,880	(292,960)	(266,080)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING YEAR	29,450	(333,713)	(304,263)
Cash and cash equivalents, beginning of year	167,298	510,201	677,499
Cash and cash equivalents, end of year	<u>\$ 196,748</u>	<u>\$ 176,488</u>	<u>\$ 373,236</u>
Reconciliation of operating (loss) to net cash provided by operating activities			
Operating (loss)	\$ (16,006)	\$ (38,705)	\$ (54,711)
Adjustments to reconcile operating (loss) to net cash provided by operating activities			
Depreciation	22,341	51,411	73,752
Decrease (increase) in accounts receivable	2,158	(315)	1,843
Decrease in special assessments receivable	-	23,211	23,211
Increase in accounts payable	9,596	4,323	13,919
Increase (decrease) in accrued interest	2,484	(351)	2,133
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 20,573</u>	<u>\$ 39,574</u>	<u>\$ 60,147</u>

Montcalm County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - CENTRAL DISPATCH AUTHORITY

September 30, 2006

	<u>Special Revenue</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 208,819
Investments	393,164
Accounts receivable	<u>96,824</u>
TOTAL ASSETS	<u><u>\$ 698,807</u></u>
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Current liabilities	
Accounts payable	\$ 4,069
Accrued liabilities	<u>25,454</u>
TOTAL LIABILITIES	29,523
FUND BALANCES	
Reserved for wireless surcharge	254,572
Unreserved	
Undesignated	<u>414,712</u>
TOTAL FUND BALANCES	<u>669,284</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 698,807</u></u>

Montcalm County, Michigan

Component Unit Funds

RECONCILIATION OF THE COMBINING BALANCE SHEET TO
THE STATEMENT OF NET ASSETS - CENTRAL DISPATCH AUTHORITY

September 30, 2006

Total fund balance - governmental fund **\$ 669,284**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental fund.

The cost of capital assets is	560,126	
Accumulated depreciation is	<u>(377,745)</u>	
Capital assets, net		<u>182,381</u>

Long-term liabilities are not due and payable in the current period
and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Installment purchase agreement	(102,288)	
Accrued interest payable	<u>(1,051)</u>	<u>(103,339)</u>

Net assets of governmental activities **\$ 748,326**

Montcalm County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - CENTRAL DISPATCH AUTHORITY

Year Ended September 30, 2006

	Special Revenue
REVENUES	
Charges for services	\$ 1,389,016
Interest	19,743
Other	<u>1,000</u>
TOTAL REVENUES	1,409,759
EXPENDITURES	
Current	
Public safety	1,108,431
Debt service	<u>36,221</u>
TOTAL EXPENDITURES	<u>1,144,652</u>
NET CHANGE IN FUND BALANCE	265,107
Fund balance, beginning of year	<u>404,177</u>
Fund balance, end of year	<u><u>\$ 669,284</u></u>

Montcalm County, Michigan

Component Unit Funds

RECONCILIATION OF THE COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES - CENTRAL DISPATCH AUTHORITY

Year Ended September 30, 2006

Net change in fund balances - total governmental funds **\$ 265,107**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	1,912	
Depreciation expense	<u>(80,055)</u>	
Excess of depreciation expense over capital outlay		(78,143)

Repayment of long-term debt is reported as expenditures and in governmental funds, the repayment reduces long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Debt retirement	32,080
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	<u>330</u>
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Change in net assets of governmental activities **\$ 219,374**

Principals

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners
of Montcalm County
Stanton, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Montcalm County, Michigan as of and for the year ended September 30, 2006, which collectively comprise Montcalm County's basic financial statements, and have issued our report thereon dated June 4, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Montcalm County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Montcalm County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition noted is described below as Finding 2006-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that Finding 2006-1 described below is a material weakness.

2006-1 DELINQUENT ANNUAL FINANCIAL REPORT

Condition: Annual audit reports are due to the State of Michigan six (6) months subsequent to the fiscal year end. For the year ended September 30, 2006, the audit report is approximately three (3) months delinquent to the State of Michigan.

Criteria: Michigan Public Act 2 of 1968 requires that the annual financial report shall be filed within six (6) months after the end of the fiscal year of the local unit.

Cause: Reconciliations for the County's pooled bank account had not been completed until several months after the fiscal year had ended.

2006-1 DELINQUENT ANNUAL FINANCIAL REPORT - CONTINUED

Effect: The internal controls over cash failed to operate in the way that they were designed to operate. Material misstatements caused by error or fraud could have occurred and not have been detected within a timely period by employees in the normal course of performing their assigned functions.

Corrective Action Response: Montcalm County will takes steps in the future to assure bank reconciliations are done in a timely manner and have sufficient controls in place to detect irregularities by the departmental employees where the reconciliations are performed.


Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The County's responses to the findings identified in our audit are described above. We did not audit the County's responses and, accordingly, we express no opinion on them.

We noted certain other matters that we reported to management of Montcalm County in a separate letter dated June 4, 2007.

This report is intended solely for the information and use of the management and Board of Commissioners of Montcalm County, the pass-through grantors, and the Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 4, 2007

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
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MANAGEMENT LETTER

To the Board of Commissioners
of Montcalm County
Stanton, Michigan

Dear Ladies/Gentlemen:

As you know, we have recently completed our audit of the records of Montcalm County, Michigan, for the year ended September 30, 2006. In connection with the audit, we feel that certain changes in your accounting procedures would be helpful in improving management's control and the operational efficiency of the accounting functions. These suggestions are a result of our evaluation of the internal control structure and our discussions with management.

1. Budgets should be monitored and amended when necessary.

As noted in the financial statements, some of the activities of the County exceeded the amounts appropriated. The variances noted were in the General and Special Revenue Funds.

The Michigan Public Act 621 of 1978, as amended, provides that the County adopt formal budgets for all applicable General and Special Revenue Funds, and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures.

We suggest the County monitor expenditures against adopted budgets and make appropriate budget amendments as needed.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the basic financial statements, and this report does not affect our report on the basic financial statements, dated June 4, 2007.

This report is intended solely for the use of management and the Board of Commissioners of Montcalm County, and is not intended to be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 4, 2007

Montcalm County, Michigan

**SUPPLEMENTARY INFORMATION
TO FINANCIAL STATEMENTS
(FEDERAL AWARDS)**

September 30, 2006

Montcalm County, Michigan

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Commissioners
of Montcalm County
Stanton, Michigan

Compliance

We have audited the compliance of Montcalm County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended September 30, 2006. Montcalm County's major Federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of Montcalm County's management. Our responsibility is to express an opinion on Montcalm County's compliance based on our audit.

Montcalm County's basic financial statements include the operations of the Road Commission of Montcalm County, which received \$44,987 in federal awards during the year ended September 30, 2006, and the Mid-Michigan District Health Department, which received \$1,701,794 in federal awards during the year ended September 30, 2006. Our audit described below did not include the operations of the Road Commission of Montcalm County or the Mid-Michigan District Health Department because the component units have engaged auditors to perform separate audits in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major Federal programs occurred. An audit includes examining, on a test basis, evidence about Montcalm County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Montcalm County's compliance with those requirements.

In our opinion, Montcalm County complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ending September 30, 2006.

Internal Control Over Compliance

The management of Montcalm County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered Montcalm County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Montcalm County's internal control over compliance.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one (1) or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregated discretely presented component units, each major fund, and the aggregate remaining fund information of Montcalm County as of and for the year ended September 30, 2006, and have issued our report thereon dated June 4, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Montcalm County's basic financial statements. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Commissioners and management of Montcalm County, the pass-through grantors, and the Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 4, 2007

Montcalm County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2006

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Current Year</u>	
			<u>Revenues</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE Passed through Michigan Department of Natural Resources Schools and Roads - Grants to States 2006	10.665	N/A	\$ 2,272	\$ 2,272
U.S. DEPARTMENT OF HOUSING AND AND URBAN DEVELOPMENT Passed through Michigan Department of Commerce Community Development Block Grants (CDBG) State's Program FY 05/06 (Housing)	14.228	MSC-2005-0765-HOA	169,936	169,936
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, DEPARTMENT OF TRANSPORTATION Passed through Michigan Department of State Police, Office of Highway Safety Planning State and Community Highway Safety	20.600	PT-06-28	4,181	4,181
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES Passed through State Department of Office on Services to the Aging and Area Agency on Aging of Western Michigan, Inc. Title III-D Special Programs for the Aging (Disease Prevention and Health Promotion Services) FY 05/06	93.043	51.76	900	900
Title III-B Special Programs for the Aging (Grants for Supportive Services and Senior Centers) FY 05/06	93.044	51.76	49,395	49,395
Title III-E National Family Caregiver Support (Adult Day Care) FY 05/06	93.052	51.76	23,862	23,862
Passed through Michigan Department of Health and Human Services Child Support Enforcement (Title IV-D) ^(b) Cooperative Reimbursement - Friend of the Court ^(a) Cooperative Reimbursement - Prosecuting Attorney ^(a)	93.563	CS/FOC-06-59001 CS/PA-06-59002	264,264 40,925	264,264 40,925
			<u>305,189</u>	<u>305,189</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			379,346	379,346

Montcalm County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended September 30, 2006

<u>Federal Grantor/Pass Through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Pass-Through</u> <u>Grantors</u> <u>Number</u>	<u>Current Year</u>	
			<u>Revenues</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HOMELAND SECURITY				
The State Homeland Security Grant Program				
Passed through Michigan Department of State				
Police State Homeland Security Grants ^(c)	97.004			
2003 SHSGP II Training Grant		N/A	\$ 51,553	\$ 51,553
2004 Homeland Security Training Grant		N/A	51,584	51,584
			103,137	103,137
Hazard Mitigation Grant	97.039			
2006 Hazard Mitigation Grant		1346-DR	2,255	2,255
Emergency Management				
Performance Grants	97.042			
2006 Emergency Management Grant		N/A	12,884	12,884
State Homeland Security Grants ^(c)	97.067			
2005 Homeland Security Training Grant		N/A	281,385	281,385
Passed through Michigan Department				
of Natural Resources				
Boating Safety Financial Assistance	97.012	N/A	10,155	10,155
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			409,816	409,816
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 965,551	\$ 965,551

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 30, 2006

NOTE A: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of Montcalm County, Michigan and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements, which are reconciled in Note C.

NOTE B: SUMMARY OF SIGNIFICANT EXPLANATIONS OF SCHEDULE

The following descriptions identified below as (a) - (c) represent explanations that cross reference to amounts on the Schedule of Expenditures of Federal Awards:

- (a) Reimbursements of these contracts are passed through the State. The amounts reported on the Schedule of Expenditures of Federal Awards represent the Federal portion of the respective amounts based on the following percentages of Federal participation:

<u>Program</u>	<u>CFDA Number</u>	<u>Percent</u>
Cooperative Reimbursement	93.563	66 %

- (b) Denotes program tested as a "major program".

- (c) Denotes programs required to be clustered by United States Department of Homeland Security.

NOTE C: RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The following reconciles the federal revenues reported in the September 30, 2006, Basic Financial Statements to the expenditures of the County administered Federal programs reported on the Schedule of Expenditures of Federal Awards:

	<u>Federal/State Revenue</u>	<u>Less: State Revenue</u>	<u>Adjustments</u>	<u>Federal Expenditures</u>
PRIMARY GOVERNMENT				
GENERAL FUND				
Cooperative Reimbursement				
Prosecuting Attorney	\$ 63,811	\$(22,886)	\$ -	\$ 40,925
Marine Safety	42,617	(32,462)	-	10,155
Highway Safety	4,181	-	-	4,181
Other Programs	<u>1,349,775</u>	<u>(1,349,775)</u>	-	<u>-0-</u>
TOTAL GENERAL FUND	1,460,384	(1,405,123)	-0-	55,261
SPECIAL REVENUE FUNDS				
Friend of the Court	541,112	(276,848)	-	264,264
Commission on Aging	131,638	(57,481)	-	74,157
Homeland Security Grant	420,325	(35,803)	-	384,522
CDBG - Housing	169,936	-	-	169,936
Other Programs	<u>761,883</u>	<u>(761,883)</u>	-	<u>-0-</u>
TOTAL SPECIAL REVENUE FUNDS	2,024,894	(1,132,015)	-0-	892,879

Montcalm County, Michigan

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

September 30, 2006

NOTE C: RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

	<u>Federal/State Revenue</u>	<u>Less: State Revenue</u>	<u>Adjustments</u>	<u>Federal Expenditures</u>
ENTERPRISE FUNDS				
Ambulance	\$ 32,441	\$(17,302)	\$ -	\$ 15,139
TRUST AND AGENCY FUNDS				
Trust and Agency	<u>-</u>	<u>-</u>	<u>2,272</u> ^(c)	<u>2,272</u>
TOTAL PRIMARY GOVERNMENT	3,517,719	(2,554,440)	2,272	965,551
COMPONENT UNITS				
District Health				
Special Revenue	2,732,364	-	(2,732,364) ^(a)	-0-
Road Commission				
Special Revenue	<u>6,258,573</u>	<u>-</u>	<u>(6,258,573)</u> ^(b)	<u>-0-</u>
TOTAL COMPONENT UNITS	<u>8,990,937</u>	<u>-0-</u>	<u>(8,990,937)</u>	<u>-0-</u>
TOTAL REPORTING ENTITY	<u>\$12,508,656</u>	<u>\$(2,554,440)</u>	<u>\$(8,988,665)</u>	<u>\$ 965,551</u>

Following is a summary of the adjustment in the above schedule:

- (a) The District Health Federal/State revenues are eliminated from the Schedule of Expenditures of Federal Awards at the County level as they are a discretely presented component unit whose audit, issued under separate cover, was conducted separately under the Single Audit Act. Their Federal/State funds were audited under the Act at that level and were not considered in the process of performing the County's Single Audit. The separate audited financial statements and Single Audit are available at the District Health Department administrative offices.
- (b) The Road Commission Federal/State revenues are eliminated from the Schedule of Expenditures of Federal Awards at the County level as they are a discretely presented component unit whose audit, issued under separate cover, was conducted by other auditors under the Single Audit Act. Their Federal/State funds were audited under the Act at that level and were not considered in the process of performing the County's Single Audit. The separate audited financial statements and Single Audit are available at the Road Commission administrative offices.
- (c) The adjustment related to amounts reported as an increase when received and a decrease when disbursed within the trust and agency fund's activity because the County acts in a trustee capacity of these funds and distributes them to the local units of government and therefore does not recognize the funds as revenue of expenditures, but recognizes the amounts as expenditures in the Schedule of Expenditures of Federal Awards as of September 30, 2006 in accordance with OMB Circular A-133.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners
of Montcalm County
Stanton, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Montcalm County, Michigan as of and for the year ended September 30, 2006, which collectively comprise Montcalm County's basic financial statements, and have issued our report thereon dated June 4, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Montcalm County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Montcalm County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2006-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that Finding 2006-1 described in the schedule of findings to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Montcalm County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of Montcalm County in a separate letter dated June 4, 2007.

This report is intended solely for the information and use of management and the Board of Commissioners of Montcalm County, pass-through grantors, and Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 4, 2007

Montcalm County, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2006

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? X Yes No

Reportable condition(s) identified that are not considered to be material weakness(es)? Yes X No

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Reportable condition(s) identified that are not considered to be material weakness(es)? Yes X None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported with Section 501(a) of Circular A-133? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.563	Child Support Enforcement (Title IV-D)

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X Yes No

Section II - Financial Statement Findings

2006-1 Delinquent Annual Financial Report

Condition: Annual audit reports are due to the State of Michigan six (6) months subsequent to the fiscal year end. For the year ended September 30, 2006, the audit report is approximately three (3) months delinquent to the State of Michigan.

Criteria: Michigan Public Act 2 of 1968 requires that the annual financial report shall be filed within six (6) months after the end of the fiscal year of the local unit.

Cause: Reconciliations for the County's pooled bank account had not been completed until several months after the fiscal year had ended.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended September 30, 2006

Section II - Financial Statement Findings - continued

2006-1 Delinquent Annual Financial Report - continued

Effect: The internal controls over cash failed to operate in the way that they were designed to operate. Material misstatements caused by error or fraud could have occurred and not have been detected within a timely period by employees in the normal course of performing their assigned functions.

Corrective Action Response: Montcalm County will takes steps in the future to assure bank reconciliations are done in a timely manner and have sufficient controls in place to detect irregularities by the departmental employees where the reconciliations are performed.

Section III - Federal Award Findings and Questioned Costs

None

Montcalm County, Michigan

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended September 30, 2006

FINDINGS/NONCOMPLIANCE

Reportable Conditions Related to Internal Controls Over the Combined Financial Statements.

No prior audit findings.

Findings Related to Compliance with Requirements Applicable to the Combined Financial Statements.

No prior audit findings.

Findings Related to Compliance with Requirements Applicable to Federal Awards and on Internal Control Over Compliance in Accordance with OMB Circular A-133.

No prior audit findings.